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COMMUNICATION

OF THE

COMPTROLLER

OF THE CITY OF CHICAGO

TO THE

MAYOR and CITY COUNCIL

CONCERNING THE
CONDITIONS AND RESOURCES
OF THE CORPORATE FUND



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December 23, 1918

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CITY OF CHICAGO—DEPARTMENT OF FINANCE

To the Honorable, the Mayor and Aldermen,
in City Council Assembled.

Gentlemen:

I have the honor to present for the information of your honorable body the contents of the accompanying printed pamphlet; discussing in detail the financial environments of the City's Corporate Fund; showing its present condition, its resources, the service for which it is responsible and, the imperative necessity of remedial legislation at the hands of the State Legislature if the service payable from this fund, adequate to the needs and demands of the people, is expected.

Your attention is called in advance to the more salient and important points of consideration included therein forming the basis of its discussion, which are as follows:

Condition of Fund December 31, 1918.

Its current liabilities, which will include the payroll certificates paid by the Citizens' Committee amounting to about \$1,735,000.00, and those paid by the Bankers' Committee amounting to about \$3,700,000.00, will exceed its current assets on December 31st by \$4,000,000.00 as nearly as can now be estimated. In addition to this there will be liabilities for the payment of which no provision has been made, these being in the form of judgments entered against the City of which about \$4,700,000.00 will be in favor of the Sanitary District, and \$700,000.00 in favor of various parties.

Revenue Required for Service Demanded.

1. An amount sufficient to cover the cost of a service payable from this fund embracing only the operation of the various municipal activities and its maintenance, which has been carefully estimated, both through calculation of elemental cost and methods of comparison, at a minimum of \$32,434,670.74, and which is in fact considerably less than the aggregate of the individual estimates of the departments.

2. The cost of maintaining the playgrounds of the city which is not included in the preceding figure.

3. The cost of such permanent improvements as are not effected through bond issues, an estimate of which is not attempted, but among which may be mentioned the city's portion of the cost of the Twelfth Street Viaduct, which it is estimated will be about \$1,200,000.00.

4. The cost of liquidating such portion of the judgments entered against the city as may be decided upon, and the interest upon the entire amount outstanding.

5. The establishing of a working capital, which should at least equal the amount of the tax levy which cannot be hypothecated, in order that the current liabilities of the fund may be promptly paid, and due justice rendered the City's creditors.

Resources of Fund.

The revenue proper to this fund, and applicable to any and all of its purposes, as existing at the present time, is composed of the corporate tax limited to \$1.10 per \$100 which, it is estimated, will yield \$11,912,557.82 and its miscellaneous receipts, which by reason of the anticipated loss of saloon licenses, bids fair to be reduced to about \$7,200,000.00. This gives an aggregate of \$19,112,557.82, which constitutes its gross revenue. Deducting from this the estimated deficit at the beginning of the year it will leave \$15,112,557.82, representing the total resources available, not only for the ordinary expense estimated, as mentioned above, at \$32,434,670.74, but also for the expense of such permanent improvements as is not paid from bond issues.

There is an additional tax allowed which in effect is limited to 10 cents per \$100.00 and is restricted to the payment of judgments and interest thereon, and also a tax of 5 cents per \$100.00 for the maintenance of playgrounds exclusively. The expense incurred for these is, however, additional to the expense before mentioned as proper to the Corporate Fund.

The impossibility of providing proper and adequate service under these conditions of revenue should appear beyond dispute.

The information contained in this pamphlet has been carefully gathered, and is, in effect, a general survey of the needs of the city and the conditions of the Fund from which they are paid. It is respectfully submitted for your consideration with the assurance that any further information or assistance that this office can give, will be extended with great pleasure.

Very respectfully,

(Signed) EUGENE R. PIKE,
Comptroller.

Chicago, December 23, 1918.

MacDonald-Kaitehue's Printing Company
Chicago



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Chicago, Dec. 23, 1918.

It seems to be a conceded fact that the City of Chicago, facing the preparation of its municipal budget for the year 1919, has reached a point at which it will be impossible for its governing officers to provide a service adequate to the needs of the community, for which its corporate fund is responsible and which is payable therefrom, upon the resources that are now provided for that fund.

These resources, as is well known, are made up of two separate revenues. First, the tax upon real and personal property of the City, which is restricted by the statutes to \$1.10 per \$100.00 of assessed valuation (with no allowance for loss and cost in the collection of the same), and secondly, what is called its Miscellaneous Revenue, consisting of revenue derived from licenses, fees, permits, franchise compensations and all other miscellaneous sources, which is collected through the power granted under the Cities and Villages Act of the Legislature.

Of this last mentioned revenue, the principal source has been saloon licenses which, under conditions now impending bids fair to disappear and, therefore, impose a loss of about \$7,000,000 in the amount normally realized.

Moreover, the inadequacy of the revenue provided for this fund, which has been particularly perceptible in its effects during the past five years because of the constant increase in cost, has been clearly shown by the corresponding expenditures which have been the cause of reducing an unexpended balance of over \$4,000,000 to a deficit of about \$4,000,000 during that period.

Attempts, of course, have been made by a number of critics to attribute this result entirely to lavish, if not improper appropriations and expenditure, although no reliable evidence has been advanced in concrete form to justify this broad assertion.

One thing we know, that the City Council has evidently felt compelled by the demands of the public to make these appropriations, and has done so legally; and moreover, these appropriations have not been overdrawn. Be that as it may, the fact appears beyond all controversy, that the revenue as reduced and now existing, is absolutely inadequate, and that, therefore, some relief must be obtained if the proper service is expected.

Again, there being apparently no further source available for increasing the miscellaneous revenue, it follows that the necessary relief must be obtained through the tax imposed upon real and personal property, or by bond issue, or perhaps by the judicious admixture of both, all of which will require amendments by the Legislature of the laws now governing the city.

The revenue thus far mentioned constitutes what is technically and exclusively termed Corporate Revenue, it being common to, and both responsible and available for any and all corporate needs under the election of the legislative body of the municipality. There is, however, an additional tax rate allowed for, and restricted to the payment of judgments rendered versus the city which in effect is limited to one mill, and also, for a limited period, a tax rate of half mill for play ground purposes exclusively.

The contemplation of a new tax rate, if so decided upon, and the amendments necessary to establish the same has brought out the sugges-

tion that perhaps it will be considered wise to include these with the other needs under a common rate, the product of which could be distributed at the election of the City Council. This excludes, of course, all consideration of the taxes for sinking funds and interest on bonded indebtedness, which are irreducible.

The fact is appreciated that any effort tending to increase the tax rate may arouse in some persons intense sympathy for the tax payer, a great deal of incoherent discussion as to its absolute necessity, as well as the want of administrative efficiency in the past,—all for the purpose of preventing, at any hazard, any such increase, and of evading all responsibility for the consequence of so doing.

True candor and sound judgment would seem to demand, however, that, in the consideration of the appropriations for 1919 that must be made from the Corporate Purposes Fund of the City, the only logical and just method in which to proceed is to throw the past into the discard and deal squarely with conditions which are indisputable and surrounding this fund at the present time.

What loss or gain may have occurred to its miscellaneous revenue during the past few years, or what minor relief has been experienced by additional taxation for some specific purposes, are clearly questions irrelevant to the solution of the problem as it is now presented to us.

If the Legislature, recognizing conditions as they now exist, and also the just principle that a service demanded should be paid for by those demanding the same, sincerely intends to apply its legislative power to their proper adjustment, all the information necessary thereto should be contained in, and deducible from the answers to the following questions:

1. What is a reasonable estimate of the cost of the service proper and adequate to the needs of this community, which is payable from the city's Corporate Fund and for which this fund is responsible, including an allowance for an average increase during a given period.

2. What additional provision should be made for the maintenance and equipment of play grounds; for the cost of permanent improvements, which are not payable from bond funds; for the liquidation of judgments rendered versus the city, and for establishing a working capital which could be preserved under mandatory restriction, the importance of which has been made manifest and should not be overlooked?

3. What is a reasonable estimate of the average amount per annum that may be expected from its miscellaneous revenue during the same period?

4. What is a reasonable estimate of the average annual increase of assessed valuation during the same period?

5. What amount must be provided in addition to the amount obtainable through the agencies above mentioned; what portion of the same, if any, through a bond issue, and what portion through an increase of the tax levy?

Answer to Question No. 1.

The figure embodying the answer to this question is not only restricted to the cost of such service as is now payable from the City's Corporate

(§1.10) tax and its miscellaneous revenue, but also to the cost of such service alone as is necessary for the operation and maintenance of the municipal government, exclusive of any permanent construction or improvements. The expenditure of 1913 is taken as a basis of calculation because in that year the legislative body was compelled, by the uncertainty of the revenue, to pass a budget covering an inadequate service and, therefore, it would appear to represent a minimum cost. The entire method of calculation, and all factors entering into the same, whereby the figure of \$32,434,670.74 is obtained as an answer to this question is shown in the report of the Efficiency Division of the Comptroller's Office appearing further on in this pamphlet, under Charts V and VI, with full supporting explanation.

The amounts appearing opposite the various departments in these charts are not intended to represent severally the actual needs of the departments, or the apportionments recommended for each. The charts have simply been put in this form to show the method of calculation by which the aggregate of \$32,434,670.74 is reached, taking the corresponding expenditures of 1913 as a basis. A uniform increase of 20.2% is added to all departments, representing the increased cost of both labor and material, whereas, this percentage will vary among the departments proportionately with the labor and material involved.

The purpose of the charts referred to above and the discussion thereof has been to demonstrate the consistency and reasonableness of the amount shown therein as an estimate of the aggregate cost of the service in question, by showing the cost and the volume of the contributory elements of the service, or of those things which are directly received in exchange for the expenditure.

Realizing, however, that comparison with the cost of other branches of governmental service more or less similar is often sought, an exhibit is inserted marked, "Exhibit No. 1," setting forth during a period of seven years, the increased cost of the various functional branches of the municipality and also of the other branches of governmental service as indicated by the taxes contributed within the city. Evidence the most conclusive is obtainable therefrom, that increase in the cost of governmental service is not confined to the corporate purposes of the city, nor to the municipality as a whole. A glance at this schedule will disclose the following facts,—that in the year 1917 the taxpayers of Chicago contributed 66 percent more for governmental service not under the control of the municipality than they did in 1910, whereas, the increase in the cost of the entire municipal service was 46 percent. That there was an increased cost of state service of 275 percent, and of county service, 50 percent. That within the municipality there was an increase in the entire school service of 56 percent, and in the educational branch of the same, 63 percent. In Public Library service 73 percent; in the maintenance and operation of its water works, 40 percent, whereas, in the service known as corporate purposes proper, there was an increase of only 24 percent.

Taken from the point of cost per capita, it shows the following increases: State-223%, County-30%, Schools-Educational-50%, entire municipality-10%, Corporate Purposes Fund, 7%.

EXHIBIT NO. 1.

COMPARISON OF THE COST OF GOVERNMENTAL SERVICE WITHIN COOK COUNTY

	COST OF SERVICE		PER CAPITA COST OF SERVICE					
	1910	1917	Increase	Percentage of Increase	1910	1917	Increase	Percentage of Increase
Corporate Purposes	\$21,141,575.20	\$26,220,612.66	\$ 5,079,037.46	24	\$ 9.63	\$10.30	\$.67	7
Repairs of Streets by Vehicle Tax.....	501,392.18	1,055,070.05	553,677.87	110	.23	.41	.18	80
Public Benefit for Unclaimed Rebate Fund.....		345,802.70	345,802.70	.....	.....	.14	.14	.....
Judgments and Interest on Same.....		264,307.67	264,307.67	.....	.....	.10	.10	.....
Bonds and Interest on Same.....	4,007,594.58	4,762,626.34	755,031.76	18	1.82	1.87	.05	3
Total Corporate, Including Tributary.....	\$25,650,561.96	\$32,648,419.42	\$ 6,997,857.46	27	\$11.68	\$12.82	\$ 1.14	10
Water Works Maintenance	2,801,591.21	3,933,144.87	1,131,553.66	40	1.28	1.54	.26	20
Water Works Extension and Construction.....	1,293,251.03	4,192,992.39	2,899,741.36	224	.59	1.65	1.06	180
Public Library	394,213.76	682,634.77	288,421.01	73	.18	.27	.09	50
Municipal Tuberculosis Sanitarium		1,071,007.83	1,071,007.83	.....	.....	.42	.42	.....
Schools—Educational	9,803,301.95	15,996,589.38	6,193,287.43	63	4.46	6.28	1.82	40
Schools—Building	3,620,440.41	4,971,252.78	1,350,812.37	37	1.65	1.95	.30	18
Total Municipality	\$43,563,360.32	\$63,496,041.44	\$19,932,681.12	46	\$19.84	\$24.93	\$ 5.09	26
State	2,546,983.61	9,566,638.22	7,019,654.61	275	1.16	3.75	2.59	223
County	4,499,671.04	6,590,350.77	2,090,679.73	50	2.05	2.59	.54	30
Forest Preserve		212,591.96	212,591.96	.....	.....	.08	.08	.....
Sanitary District	2,886,581.42	3,720,359.30	833,777.88	29	1.31	1.46	.15	11
Parks and Town Expense	5,130,827.08	5,463,657.73	332,830.65	7	2.34	2.15	.19*	8*
Gand Total	\$58,627,423.47	\$89,049,639.42	\$30,422,215.95	52	\$26.70	\$34.96	\$ 8.26	31

The cost of service not controlled by the municipality is based upon the taxes paid by the taxpayers within the municipality.

*Decrease.

Now, in order to judge from a comparative point of view of the consistency of the figure advanced as an answer to this question, namely \$32,434,670.74, let us concede that the needs of the city for corporate purposes are entitled at least to the same percentage of increase as the average percentage among all the divisions of governmental service shown in this schedule, which is 52. This certainly appears reasonable and equitable, and if it is allowed it will justify an expenditure of \$32,135,194.30, or only \$299,476.44 less than the figure shown in Chart VI as an answer to this question. Furthermore, considering the fact that there has been some increase of cost since 1917 and that there is a general complaint of insufficient revenue among all the other branches, the figure should appear entirely justified, reasonable and corroborative of the other method of estimating.

As further evidence of the reasonableness of this figure and that the increase of expense involved therein is due to the exactions of surrounding and uncontrollable conditions, and not in anticipation of vast extension or elaboration of service, the fact is worthy of consideration that the aggregate of the estimates of the departments for the year 1919 which are based upon the requirements of the service demanded of them, will exceed this amount by over \$3,000,000.

There is another view point of comparison, illogical, yet popular with some, that eliminates all consideration of revenues which are derived otherwise than by direct taxation, and which are contributed by comparatively few of those who participate in all of the benefits they produce. It concentrates its entire force upon the tax rate as an infallible indicator of adequate revenue, seemingly not considering so much what it will produce for the benefit of the entire community, as what it will take away from themselves individually. Looking upon it, apparently, more as a contribution than a just debt, there seems to be a decided opinion as to what its aggregate limitation should be, regardless of any increase of cost, which leads to the conclusion that its proper distribution will insure adequate service throughout. This pre-determined limitation appears to be assumed as the maximum amount that should be demanded under any circumstances, and overlooking the importance imposed by this theory upon its distribution, it is left to the various taxing bodies to get their own apportionments as best they can.

For the benefit of those who may assume this view point another schedule is inserted, marked "Exhibit No 2" showing the distribution of the taxes paid by the taxpayers within the city for the years 1910 and 1917 among the taxing bodies involved. Some facts may be gleaned from it that indicate conditions worthy of the serious consideration of those who participate in the legislation affecting the same. For example, that of each \$1,000 paid by the tax payers of Chicago for the year 1917, \$678.60 is absolutely beyond all control of the legislative body of the city government; that \$273.64 only is subject to its entire control in its expenditure; and \$175.89 only may be appropriated by it for any purpose it may deem proper, and elect. A perusal of this schedule should convince any one of the injustice that may be effected in assuming to determine and hold fast to a limited aggregate rate, wherein some of the factors are subject to severe reductions and limitations, while some, over which the others have no control whatever, are unlimited. The same amount of wisdom or skill

EXHIBIT NO. 2.

COMPARISON OF THE DISTRIBUTION OF THE PRODUCT OF TAXATION AMONG THE VARIOUS GOVERNMENTAL BRANCHES OF COOK COUNTY

	1910	Pro Rata Share of \$1,000	1917	Pro Rata Share of \$1,000	Increase	Pro Rata Share of \$1,000	Percentage of Increase
Corporate	\$ 8,593,197.52	\$ 213.79	\$11,692,557.82	\$ 175.89	\$ 3,099,360.30	\$ 117.92	36
Bonds and Interest on Same.....	2,635,510.83	65.57	5,918,364.82	89.03	3,282,853.99	124.90	124
Municipal Pension Fund .....	.....	.....	141,336.47	2.13	141,336.47	5.38	.....
Special Playground Tax .....	.....	.....	108,172.00	1.63	108,172.00	4.12	.....
Judgments and Interest on Same.....	.....	.....	330,000.00	4.96	330,000.00	12.56	.....
Total Corporate, including tributary levies.....	\$11,228,708.35	\$ 279.36	\$18,190,431.11	\$ 273.64	\$ 6,961,722.76	\$ 264.88	62
Police Pension Fund .....	.....	.....	761,079.21	11.45	761,079.21	28.96	.....
Firemen's Pension Fund .....	.....	.....	500,654.06	7.53	500,654.06	19.05	.....
Public Library	317,617.344	7.90	850,367.84	12.79	532,750.50	20.27	168
Tuberculosis Sanitarium	424,497.27	10.56	1,062,959.80	15.99	638,462.53	24.29	150
Schools—Educational	8,992,940.30	223.74	12,775,517.62	191.88	3,762,577.32	143.15	42
Schools—Building	4,166,475.00	103.66	6,802,942.73	102.33	2,636,467.73	100.31	63
Total Municipality	\$25,130,238.26	\$ 625.22	40,923,952.37	\$ 615.61	\$15,793,714.11	\$ 600.91	62
State	2,546,983.60	63.37	9,566,638.22	143.91	7,019,654.62	267.08	276
County	4,499,671.04	111.95	6,590,350.77	99.14	2,090,679.73	79.54	46
Forest Preserve .....	.....	.....	212,591.96	3.19	212,591.96	8.09	.....
Sanitary District	2,886,581.42	71.81	3,720,359.30	55.96	833,777.88	31.72	29
Parks and Town Tax	5,130,827.08	127.65	5,463,657.73	82.19	332,830.65	12.66	06
Grand Total	\$40,194,301.40	\$1,000.00	\$66,477,550.35	\$1,000.00	\$26,283,248.95	\$1,000.00	65

necessary to determine a proper aggregate limitation, is sufficient to determine a proper limitation for each of its component parts, and thus prevent the constant strife for self betterment, to the injury of others, among the various branches of the government.

A still further comparison of similar conditions existing as between other cities of the same class and Chicago will substantiate the fact that the per capita cost of the service provided from the Corporate Fund of this city is the least. The figures of the last report of the U.S. Bureau of Census show that, out of the ten largest cities, there are only three whose per capita cost for all municipal service is in any way less. However, in order to establish a similar comparison, all the expense included in the figures for Chicago representing the duplicated service of other governmental units within the city, should be eliminated. Furthermore, due consideration should be given to the fact that the expense of two important units of service for which the Corporate Fund must provide, namely, the Election and Municipal Court Expense, is determined by the legislature and beyond the control of the City's legislative body. Under a comparison, with these conditions duly recognized, the per capita cost of the municipal service of Chicago should incur no criticism whatever.

A further comparative statement taken from the same report of the U. S. Bureau of Census, shows also that the burden of municipal support borne by the direct or property tax payer of Chicago, is not so great as in other cities of the same class: the figures being as follows:

	Per Capita Tax for City Corporation Purposes
Chicago	\$8.15.
Cleveland	9.73
Los Angeles	12.99
St. Louis	13.38
Philadelphia	14.00
Pittsburgh	14.51
Detroit	26.85

A thorough demonstration and discussion of all these points is contained in the report of the Efficiency Division of the Comptroller's office printed further on in this pamphlet.

Answer to Question No. 2

An answer to this question cannot be as definitely given because the needs do not run so uniformly during different periods, and some of them are not so indispensable. There are four purposes mentioned, the first being the maintenance of public playgrounds, which at the present time is not supported from the specific revenues of the Corporate Purpose Fund, but from a special tax recently authorized.

Secondly, while the more important and extensive permanent improvements are made from the proceeds of bond issues there is an accumulation each year of such improvements which do not individually justify a bond issue, yet aggregate a considerable amount. No degree of accuracy could be expected in making an estimate of the amount required annually for this purpose. It depends upon the conditions arising each year. The same may be said of the amount necessary for the liquidation of judgments

rendered versus the city. The importance of the last mentioned purpose, namely, the establishing of a working capital whereby the city could properly pay its current liabilities, and which could be maintained under mandatory restriction, should be manifest to every one. It is increased by the fact that the city will have to wait until almost the close of the succeeding year for a much greater proportion of its revenue than heretofore.

Answer to Question No. 3.

Estimate of Annual Revenue from Miscellaneous Sources.

In attempting this estimate it is impossible to foresee with any degree of certainty the possibilities of either increase or decrease in the future. The only plan appearing feasible is to add to the current revenue the average annual increase of such revenues as are considered of a standardized nature. The method of calculation employed is to reduce the miscellaneous revenues of 1917 and 1912, covering a five year period, to as nearly a standardized basis of comparison as possible, by eliminating from each such items as have no corresponding figure in the other, and such as have become extinct in both. One fifth of the increase of these, during five years, is assumed as a competent index of the average annual increase of the standard revenues from miscellaneous sources. This is added to the actual amount of 1917 after eliminating such as will disappear after the year 1918.

This is embodied in the following figures:

Miscellaneous Revenue, 1917.....			\$13,567,225.49
Deduct:			
Illinois Tunnel Co.....	\$ 237,443.22		
Saloon Licenses	6,352,324.85		
Saloon Assignments	14,106.00		
Reimbursements from Water Fund.....	715,311.45		
Bureau of Waste Disposal.....	418,460.63		
Harbor Board	49,087.62	7,786,733.77	
			\$ 5,780,491.72
Miscellaneous Revenue, 1912.....	\$12,271,330.27		
Deduct:			
Saloon Licenses	\$ 6,828,600.00		
Vehicle Licenses	562,358.55		
Traction Deposits	66,201.81	\$ 7,457,160.36	\$ 4,814,169.91
			\$ 966,321.81
Increase in Five Years.....			
Average Per Year			\$ 193,264.36
Miscellaneous Revenue, 1917.....	\$13,567,225.49		
Deduct:			
Saloon Licenses	\$ 6,352,324.85		
Saloon Assignments	14,106.00		
Illinois Tunnel Co.....	237,443.22	6,603,874.07	6,963,351.42
Estimated Annual Revenue			\$ 7,156,615.78

As may be seen, the saloon licenses are treated as extinct. The amount of same that may be realized in the future, or any other sources of revenue that may be possible must be treated as amendatory to this figure. This is not intended as an estimate for the year 1919, but to represent in a general way the amount which can be reasonably expected from this source, when estimating the entire revenue of the Corporate Purposes Fund.

Answer to Question No. 4

After scrutinizing the annual increases of valuations since the enactment of the revenue law of 1899, the conclusion has been reached that an average increase of \$25,000,000 is all that can be depended upon. In the earlier years the percentage of increase was greater, but in the last few years it has declined; in fact, one year there was an absolute decrease.

Answer to Question No. 5.

An answer to this question is based upon three points of consideration. First—What revenue will be required to give to the people the service which their needs demand, and to restore the corporate fund from which they are paid to a normal condition with a working capital sufficient to properly pay its liabilities. Second—How shall this revenue be raised as between direct taxation of property, indirect taxation by licenses or other similar sources, or by bond issue. Third—As a consequence, what amount will it be necessary to levy annually for the corporate fund and the consequent rate?

It must be plainly evident that this involves a question of policy which is beyond the province and intention of this publication. The distribution of the burden of the revenue as between the various sources from which it must be derived, the possible use of the city's bonding power as a factor, or even the limitation of the service which is demanded, are all questions within the legal right and responsibility of the legislative bodies representing the people. Hearty co-operation and assistance in determining these points will be promptly forthcoming from this office if desired, but to advance recommendations or suggestions at the present time would appear premature, if not officious on its part.

An effort has been made to set forth complete and correct information as to all the facts, existing conditions, and estimates of cost, both integral and compared with similar governmental bodies, which may serve in the solution of the problem, leaving the answer in a final and concrete form to those who must deal authoritatively with it. Attention is called to the fact that in dealing with these matters so far, the effects of the past have been entirely overlooked, and the current needs of the city together with the corresponding revenue required under normal conditions, solely considered. It may be well to note in advance what these deficiencies (expressed in approximate figures) bid fair to be.

In the first place there will be an excess of current liabilities over current assets of \$4,000,000.00. To overcome this by a tax levy alone would require a rate of about 37 cents per \$100.00. Then there are judgments rendered against the City in favor of the Sanitary District amounting to \$4,700,000.00 and other judgments amounting to \$700,000.00. To liquidate these in one year by a tax levy would require a rate of about 50 cents per \$100.00. Should they be paid through a bond issue it would require a rate of 6 cents per \$100.00 (perhaps a little less) to pay off the principal and interest for the first year. These rates are based upon the anticipated valuation for the year 1918 (\$1,082,959,802.00).

In so far as a tax rate to cover the current and future needs payable from the Corporate Fund, is concerned, it depends upon the policy adopted. It appears at the present time, that to produce the amount representing the cost for the first year, of a service for maintenance and operation which will be adequate to the needs of the City, and which has been estimated

herein as \$32,434,670.74, it would require in addition to its miscellaneous revenue *as it now exists* a tax rate of \$2.34 per \$100.00. This includes no provision for other needs such as permanent improvements and judgments, which will accumulate, to say nothing of a working capital the importance of which cannot be reasonably questioned, and which should at least be equal to that portion of the tax levy which cannot be borrowed through anticipation tax warrants. These being indefinite as to the amounts required, are left to the judgment of those who must ultimately decide.

In the discussion of these conditions which combine to require immediate remedial legislation, it is assumed and recommended that, whether it be through an increase of the tax rate or otherwise, the provisions for the same shall be made to cover only the time necessary for the formulation of the new State Constitution, or for a period of not to exceed three years.

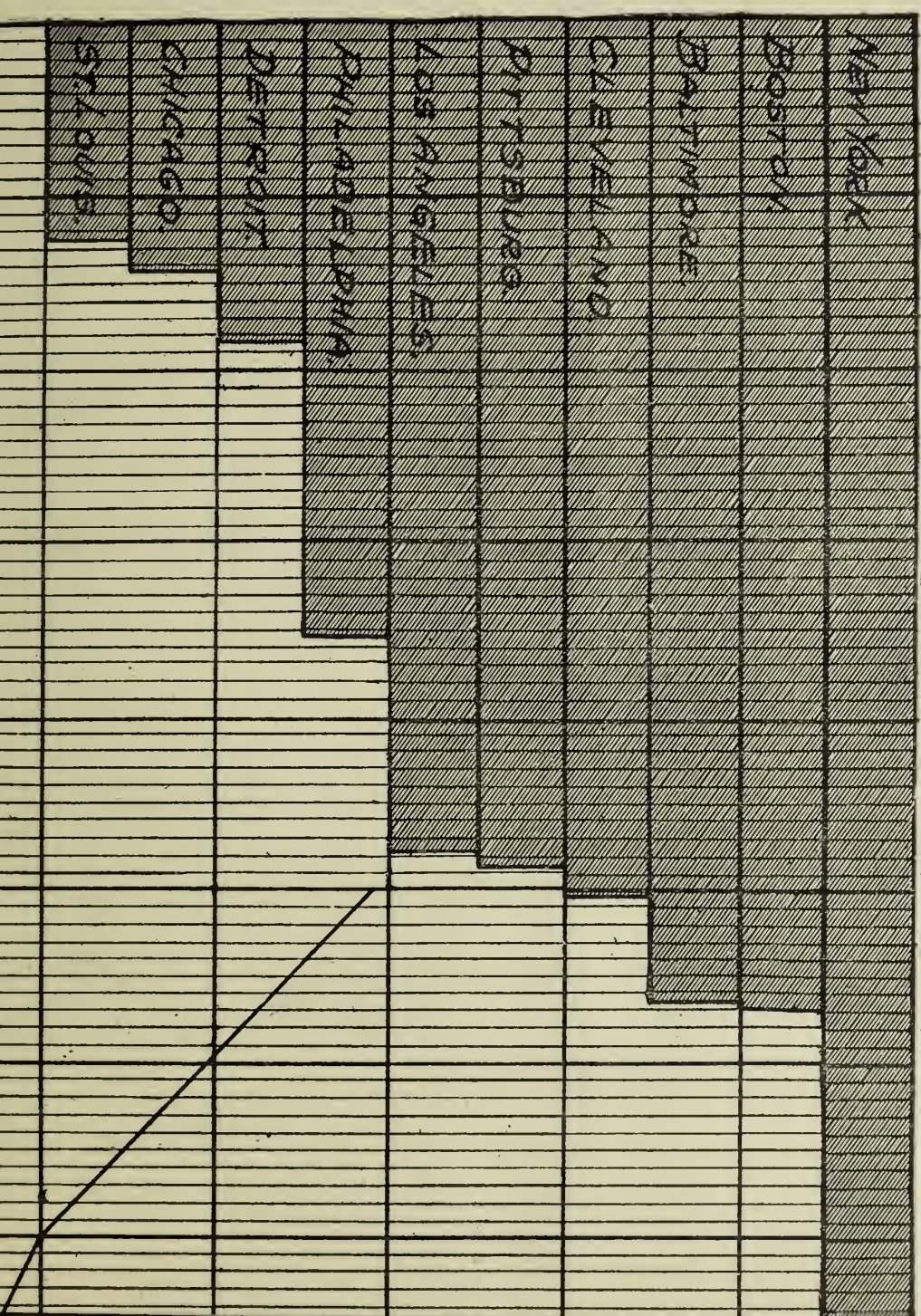
The anticipation of revised legislation in order to overcome and relieve the difficulties surrounding the City's Corporate Fund, suggests the importance of considering two points in connection therewith; First, the absolute injustice to both the taxpayer and the governing officers of the city, of placing a limitation upon the levying power, without placing a limitation upon the appropriating or debt incurring power. It leads up to just such insolvency as the Corporate Fund is now experiencing; which the taxpayer has to ultimately meet and overcome; for which no blame can be properly assigned, there having been no illegal act committed; but which is unjustly held up, by some, as evidence of improper expenditure, whereas it is due to the insufficiency of a proper revenue. Moreover, it leaves the governing officers without any practical or legal defense against those who are constantly demanding a service beyond the possibilities of the revenue provided.

Secondly, the serious disadvantage of providing a tax rate based upon the valuation of the current year, leaving the product of the tax an uncertainty until the close of the year, after it has all been appropriated. To those endeavoring to give reliable information concerning prospective revenue it is singularly perplexing. The provisions of limitation as to the constitutional debt incurring power are based upon the valuation of the preceding year, and it is equally logical in connection with the tax rate.

In conclusion the difficulties with which those, upon whom this task will devolve, must contend, aggravated to a great degree by the financial and legal environments under which our municipality is obliged to operate, are thoroughly appreciated, and the assurance is given to them that all assistance within the power of this office tending to diminish the same will be promptly given.

When Chicago shall have received the benefits that are anticipated in the adoption of a new state constitution, whereby the ill effects of duplication and consequent interference inter se of governmental organizations within the same territory, will be removed, and the good effects of concentration, through the consolidation of these organizations, realized, then may vast improvements be expected in its municipal public service. Until that time, experience and careful study only can be depended upon to advance it to as great a degree of efficiency as is possible under existing conditions.

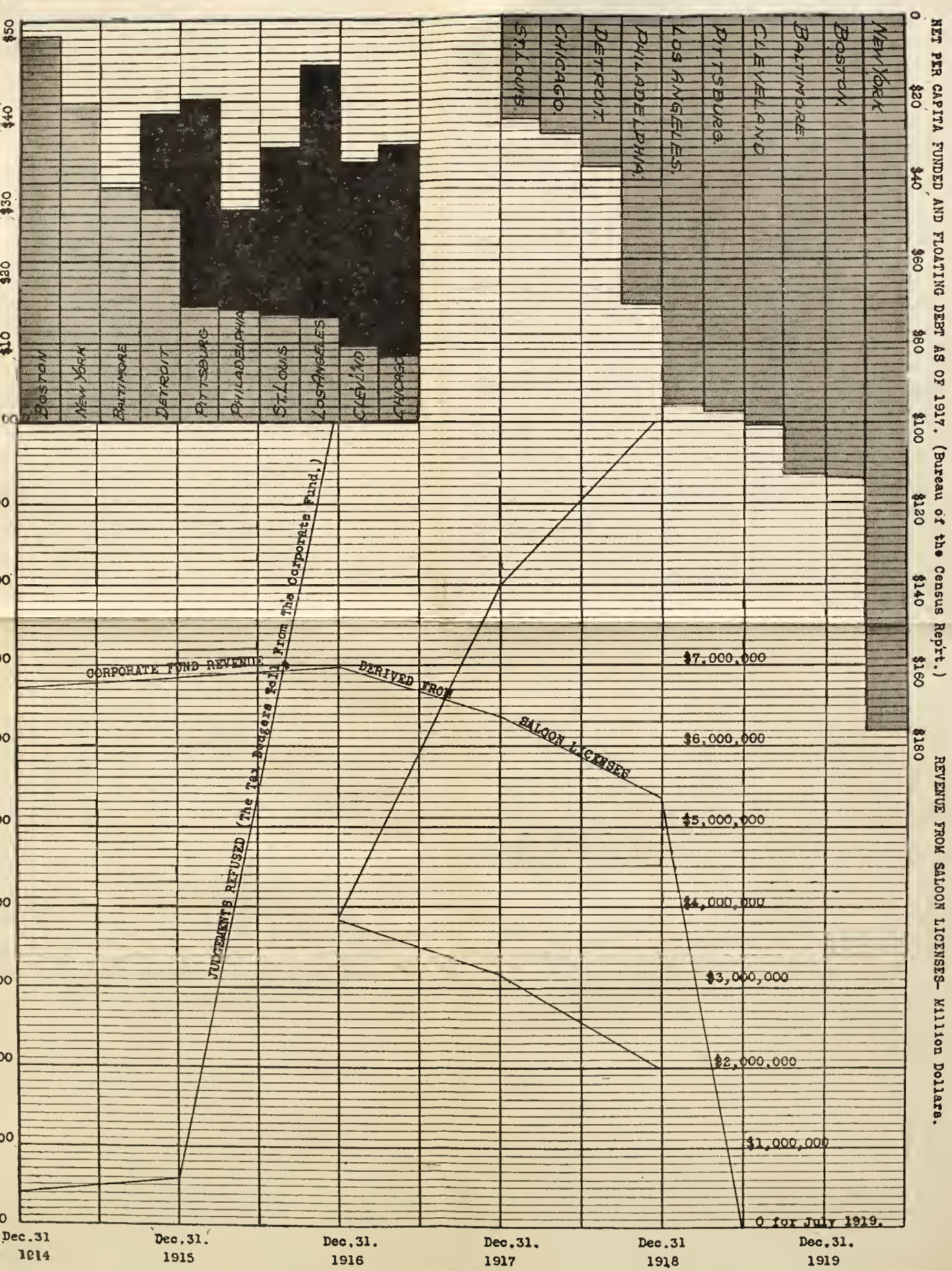
NET PER CAPITA FUNDED AND FLOATING DEBT AS OF 1917. (Bureau of the Census)



Light Shaded- PER CAPITA TAX LEVY FOR CITY CORPORATION PURP.
 Black Shaded- TOTAL PER CAPITA TAX LEVY FOR ALL GOVERN-
 MENTAL PURPOSES. (No segregation of Tax Levy
 for City Corporation reported for cities of
 Boston, New York and Baltimore.) YEAR 1917.

REVENUE LOST TO CORPORATE PURPOSES FROM VARIOUS YEARS TAX LEVIES- Judgements Refused.

TAX LEVY OF



NET PER CAPITA FUNDED AND FLOATING DEBT AS OF 1917. (Bureau of the Census Rept.)

REVENUE FROM SALOON LICENSES- Million Dollars.

COMPARATIVE
ANALYTICAL REPORT

TO THE

COMPTROLLER

OF THE

CITY OF CHICAGO

ON

CORPORATE FUND FINANCIAL MATTERS



PREPARED BY EFFICIENCY DIVISION
COMPTROLLER'S OFFICE
DEPT. OF FINANCE

Chicago, Ill., October 16, 1918.

HON. EUGENE R. PIKE,
City Comptroller.

Dear Sir:

Your Efficiency Division has been requested by the Staff of the Committee on Finance to assist in making an analysis of the past, present, and future financial conditions of the city insofar as such pertain to the Corporate Fund of the city of Chicago.

In accordance with such request, we beg to hand you herewith the results of our investigations to date, and request that this information be transmitted to the Committee on Finance, through its Staff.

In order to give the citizens of Chicago a working knowledge of what we mean when we mention the Corporate Purposes Fund, we believe it will not be amiss to endeavor to explain what is meant by this name, as we have found that the average citizen of Chicago has a very hazy idea, if any at all, about how the city's financial matters are handled. We have found citizens who are above the average in knowledge of city affairs, who persist in confusing all taxes collected by the county and city as being expended for what is known as "Corporate Purposes." Therefore, we give in the following an outline of city financial matters.

Within Cook County we have numerous taxing bodies which are authorized by state laws to levy taxes for maintenance, operation, and extension of their specific functions. Among such bodies will be found:

The County of Cook;
The Sanitary District;
The Various Park Boards;
The Board of Education; and
The City of Chicago.

Each of these taxing bodies can be considered, for practical purposes, as entirely separate units of government. We are interested only in the last named body, namely, the City of Chicago.

The City of Chicago is in itself divided up into what can be considered, for description purposes, as separate taxing bodies as:

The Chicago Public Library;
The Chicago Municipal Tuberculosis Sanitarium, and
The City Corporate.

Our analysis pertains to the last mentioned body only, namely, The City Corporate.

In the City Corporate we again find separate bodies or functional organizations that can also be classed for all practical purposes as separate taxing bodies even though they are not such. The reason we have for placing them in this class is due to the fact that they are practically beyond the control of the City Council or city authorities; in other words, the Statutes of Illinois have placed them in a position to demand of the City Council the funds wherewith to perform their functions, and this demand can not, if such organizations object, be reduced by the city authorities. Such functional organizations are:

The Board of Election Commissioners, and

The Municipal Courts.

The City Corporate's finances are administered through the method of receiving and expending its moneys by Funds. Some of these Funds are collected from a specific source, and in turn are expendable for only specific purposes,—such purposes usually related to the source from which such funds are secured. Among such Funds are:

The Vehicle Tax Fund—Secured from vehicle license tax. This fund is expendable for only certain kinds of street pavement, replacements, and repairs.

The Water Fund—Made from revenues received from the water consumers of the city for water furnished such consumers. This fund is expendable for the maintenance, improvement, and operation of the city water works and system.

The Traction Fund—Made up from the city's share (55%) of the traction company's net earnings. This fund is expendable for the building of subways only. This, no doubt, was the real intent, but it is held by others that this fund can be expended for any purpose desired which pertains to transportation matters.

The Municipal Pension Fund—Now secured from a special tax levy and expendable for the purpose of paying pensions of city employees.

Sinking Funds for Bonded Indebtedness—By a Statutory Amendment approved June 25th, 1917, to "An Act Concerning the Levy & Extension of Taxes" of May 9th, 1901,—a special tax over and above the \$1.10 per \$100.00 assessed valuation can be collected for a limited period of years (up to 1922) to retire the outstanding bonded indebtedness as such becomes due, and for the payment of Judgments, and the Interest on both.

Interest on Bonded Indebtedness—The funds for this purpose are secured from a Special Tax Levy authorized from the same source as that for the payment of Bonded Indebtedness as above.

Principal and Interest on Judgments—The funds for these purposes are secured from a Special Tax Levy authorized by the same Statutory Amendment as given above for the payment of Bonded Indebtedness.

In the consideration of these last mentioned funds, namely the payment of interest and principal on bonded indebtedness and judgments,—we must bear in mind the fact that the Amendment of 1917 to the Juul Law merely exempts the tax levies that the city may make for these purposes, over and above the \$1.10 per \$100.00 assessed valuation, from being subject to reduction, as the taxes for other purposes are, for a period of 5 years from the date of the Amendment, namely 1917. This means that this exemption from reduction to the \$1.10 basis practically expires during 1922. In conjunction with this fact, we must also consider that the proviso in Section

111, Article VIII of the Cities & Villages Act limits the amount of taxes for all purposes, exclusive of the payment of interest and principal on bonded indebtedness, to \$1.20 per \$100.00 assessed valuation. From these facts we come to the conclusion that tax levies for General Corporate Purposes are limited to \$1.10, and this amount may be increased to \$1.20 to include the payment of interest and principal on judgments,—and the payment of interest and principal on bonded indebtedness can be levied in excess of \$1.20 per \$100.00 assessed valuation under the present state of the law.

Unclaimed Rebate Fund—This fund is secured from unclaimed rebates on Special Assessments, and is expendable for the purpose of paying for certain public benefits and any deficiency that may occur on Special Assessment Warrants. This fund however, is practically non-existent when years 1919 and subsequent are considered.

The Playground Purposes Fund—This fund is secured from a special tax levy, and is expendable for the specific purpose of operation, maintenance, and construction of playgrounds only.

There are certain Bond Funds established from revenues received from the sale of bonds authorized by the citizens of Chicago. Among such are the following:

- The Harbor Construction Bond Fund;
- The Bridge Bond Fund;
- The Waste Disposal Bldg. & Equip. Bond Fund;
- The Public Comfort Station Bond Fund;
- The Health Dept. Bldg. Bond Fund;
- The School for Boys Bond Fund;
- The 12th Street Improvement Bond Fund;
- The Police Dept. Building Bond Fund;
- The House of Correction Bond Fund for Dorm. for J. W. School;
- The Fire Dept. Building Bond Fund;
- The Michigan Ave. Street Improvement Bond Fund;
- The Bathing Beach & Playgrounds Bond Funds; (2)
- The Garbage Reduction Works—Constr. & Equip. Bond Fund;
- The Municipal Street Lighting System Bond Fund;
- The Judgment Funding Bond Fund.

With the exception of the Judgment Funding Bonds, all of these Bond Issues are for construction purposes only, and therefore cannot be expended for operating expenses or even repair and maintenance expense of the structures built, as these items of operating and maintenance expense must be borne by the Corporate Fund.

The Judgment Funding Bonds were authorized by the voters of the city to pay off outstanding judgments rendered against the city for various reasons.

All of the foregoing funds expendable for specific purposes are designated as Tributary Funds, and we mention and describe them in order that they may not be confused with what is known as the Corporate Fund, which fund is the one we propose to analyze.

In former years many of the special expenses of the city now paid for from one or the other of the above Tributary Funds,—were paid for from the Corporate Fund, and even now, in case there is an insufficiency of money in any Tributary Fund, such insufficiency of money must be made up from the Corporate Fund.

A brief description of the Corporate Fund would be—"That Fund of Revenues that can be expended for any purpose or in any amount exactly as the City Council sees fit to permit it to be expended." Among the functions carried on by and paid for from the Corporate Fund in recent years are the following:

Mayor's Office;
Bureau of Statistics and Municipal Reference Library;
Department of Transportation;
City Council;
Committee on Finance;
Committee on Local Transportation;
Committee on Gas, Oils, and Electric Light;
Committee on Schools, Fire, Police, Etc.
Committee on Streets and Alleys;
Committee on Harbors, Wharves and Bridges;
Committee on Local Industries;
Commission on Lake Shore Reclamation;
Commission, Chicago Plan;
Commission on City Expenditures;
Committee on Licenses;
Committee on Railway Terminals;
Office of the City Clerk;
Office of the Corporation Counsel;
Office of the Prosecuting Attorney;
Office of the City Attorney;
Office of the City Comptroller;
Office of the City Treasurer;
Office of the City Collector;
Board of Election Commissioners;
Civil Service Commission;
Department of Supplies,—Purchasing Department;
City Waste Commission;
Department of Police (Including Moving Picture Censorship and Morals Investigations);
Dog Pound;
Municipal Courts;
House of Correction;
Department of Fire (Including Bureau of Fire Prevention);
Department of Buildings;
Department of Health (Including Bureau of Medical Inspection, Food Inspection, Plumbing and Sanitary Inspection, Vital Statistics, all Contagious Disease Hospitals, Public Baths, Municipal Lodging Houses, and Laboratories);
Office of the City Physician;
Department of Track Elevation;
Department of Boiler Inspection;
Department of Weights and Measures;
Department of Smoke Inspection;
Board of Plumbing Examiners;
Board of Mason Contractors Examiners;
Board of Engineers Examiners;
Chicago City Infants' Hospital;

Home for Destitute Crippled Children;
Children's Memorial Hospital;
Office of Oil Inspector;
Department of Public Welfare;
Committee on Health;
Committee on Crime;
Board of Local Improvements;
City Markets;
Bureau of Parks, Playgrounds and Beaches;
Department of Gas and Electricity;
Department of Public Service;
Department of Public Works:—
 Commissioner's Office;
 Bureau of Compensation;
 Bureau of Maps and Plats;
 Bureau of Architecture;
 Bureau of City Hall;
 Bureau of Streets (Including functions of street and alley cleaning,
garbage removal, waste and ashes collection, repairing of pavement at
bridge approaches and unimproved streets, etc.);
 Bureau of Sewers;
 Bureau of Engineering,—Division of Bridges and Viaducts;
 Harbor Master's Office;
 Garbage Reduction Plant;
 Garbage Incinerating Plant;
 Construction of—
 Fire Department,
 Police Department,
 Health Department,
 Department of Public Works—Ward Yards and Loading Sta-
tions.

For a number of years past the citizens of Chicago have had their attention called to the lack of funds available in the Corporate Fund, therefore it will be necessary to give an outline as to the sources from which the City Corporate Fund, exclusive of so-called Tributary Funds, secures its revenue.

These sources can be divided into approximately two divisions namely; taxes, and miscellaneous revenue.

The amount of taxes collected in the city of Chicago is based upon the so-called Juul Law, which limits the amount of taxes collectable for the city corporate fund to \$1.10 on every \$100.00 assessed valuation of property,—or in other words,—\$1.10 on each \$300.00 actual valuation of property within the city limits. This amount usually runs into approximately \$11,-000,000 to \$12,000,000 annually.

The revenues secured by the City Corporate Fund from the so-called miscellaneous revenues are principally secured from the various forms of licenses and as compensations paid for privileges granted by the city. Among such miscellaneous revenues we have:—

Through the Office of the Mayor:

Auction Permits;
Fireworks Display Permits.
Through the Office of the City Clerk:
Saloon Licenses;
Other Licenses.
Through the Department of Law:
Corporation Counsel—Miscellaneous;
City Attorney—Judgments received from Recovery of Workmen's
Compensation.
Through the Department of Finance:
Office of the Comptroller;
Foreign Fire Insurance Tax;
Reimbursement of Current Expense;
Reimbursement for Expense of Maintaining Bureau of Com-
plaints;
Conscience Money;
Miscellaneous—Duplicate and Excess Collections;
Sale and Redemption of Estray Animals.
From Compensation Accounts:
Street and Elevated Railroads;
Car Licenses;
Mileage Compensation;
Maintenance of Bridges and Viaducts.
From Other Public Service Corporations:
Electrical Services;
Protective Signal Services;
Sale of Natural Gas;
Telephone Service;
Telegraph Service;
Illinois Tunnel Co.—Percentage of Gross Receipts;
Miscellaneous.
From Interest:
Interest on Deposits of City Funds;
Interest on Wharfing Privilege Mortgages.
From City Real Estate and Buildings:
Rents.
From the Municipal Court:
Clerk;
Bailiff.
Through the Office of the City Collector:
Licenses for Prior Period Collected;
Saloon Licenses, Assignments, and Releases.
Through the Department of Police:
Fire Arms Permits;
Automobile Identification Cards;
Moving Picture Film Certificates;
Motor Vehicle Operators' Licenses;
Dog Pound.
From the House of Correction:
Sale of Products and Old Materials;
Boarding of Prisoners;

-
- Laundry Work.
 - Through the Fire Department:
 - Automatic Sprinkler Permits;
 - Tank Installation Permits.
 - Through the Department of Buildings:
 - Building Permits;
 - Mason Contractor Certificates;
 - Building Inspections;
 - Annual Inspection Fees for Canopies and Marquees;
 - Elevator Inspection;
 - Fees for Inspection of Floor Loads;
 - Sign Inspection;
 - Stage Curtain Inspection;
 - Reimbursing for Wrecking of Buildings;
 - Routing Fees.
 - Through the Department of Health:
 - Manure Box Permit Fees;
 - Assistant Undertakers' Certificates;
 - Sanitary Inspection;
 - Certified Copies of Death Records;
 - Zone of Quiet.
 - Through the Department of Oil Inspection:
 - Oil Inspection.
 - Through the Department of Boiler Inspection:
 - Steam Boiler Permits;
 - Boiler Inspection.
 - Through the Department of Weights and Measures:
 - Inspection of Weights and Measures.
 - Through the Department of Smoke Inspection:
 - Smoke Inspection.
 - Through the Board of Examiners of Stationary Engineers:
 - Stationary Engineers' Certificates.
 - Through the Board of Local Improvements:
 - Sidewalk Certificates;
 - Earnings from Special Deposits.
 - From the City Markets:
 - Maxwell Street Market;
 - Randolph Street Market.
 - Through the Department of Gas and Electricity:
 - Special Moving Picture Operators' License;
 - Moving Picture Operators' Apprentice Certificates.
 - Certificates of Registration;
 - Electrical Inspection;
 - Sale of Power and Light;
 - Installing Lamp Shading Devices.
 - Through the Department of Public Service:
 - Electric Meter Certificates;
 - Gas Meter Inspection;
 - Working Standard Certificates.
 - Through the Department of Public Works:
 - Office of the Commissioner;
 - House Drain Layers' License.

Through the Bureau of Compensation:

Compensation Accounts:

- Space Permits;
- Sub-Sidewalk Space Permits;
- Bay Windows;
- Bridges Over Streets and Alleys;
- Bulkheads, Platforms, Etc.
- Canopies;
- Scales;
- Sub-Sidewalks and Alley Space;
- Switch Tracks;
- Use of Streets, Alleys and Docks.
- Vacation of Streets and Alleys.

Through the Bureau of Maps and Plats:

Fees.

Through the Bureau of Parks, Playgrounds, and Bathing Beaches:

- Clarendon Beach, Admission;
- 51st Street Beach, Admission;
- 76th Street Beach, Admission.
- Clarendon Beach, Concession;
- 51st Street Beach, Concession;
- 76th Street Beach, Concession;
- Gage Farm.

From the Bureau of Waste Disposal:

- Grease;
- Tankage;

Through the Harbor Board:

Docking Permits;

- Leases—Municipal Pier;
- Restaurant and Lunch Room—Municipal Pier;
- Dance Hall—Municipal Pier;

Through the Bureau of Streets:

- Cement Walk Permits;
- House Moving Permits;
- Use of Streets for Special Deposits;
- Cleaning Right of Way for Traction Companies;
- Public Utility Inspection.

Through the Bureau of Sewers:

- House Drain Permits;
- Mason and Junction Setters Permits.

Through the Bureau of Engineering:

- Bridges and Viaducts:
- Inspection;
- Bridges and Viaducts. .

Through the Bureau of Rivers and Harbors:

Harbor Permits.

HOW TAX REVENUES ARE SECURED AND APPORTIONED FOR EXPENDING.

Before consideration of the facts pertaining to the other financial matters, it may be of value to describe how money and funds are secured, appropriated, and expended by the city, insofar as general property taxes are concerned.

Towards the latter part of each year, usually August, the City Comptroller makes an official request upon all departmental heads of the City Corporate Government to furnish him with an estimate of what their departmental needs will be for the following year.

The departmental heads have such estimates prepared, showing what the expenditures will be in detail, such as the description or title of each employee, the salary to be paid such employee and whether he is to be employed for a year, so many months, or for so many days during such year. Supplies, materials, equipment, and construction and betterments required for the coming year are also shown in detail.

From these estimates the Comptroller prepares what is known as the Comptroller's Estimate. This estimate shows what is required from each of the different funds of the city, such as Corporate, Water, Vehicle Tax, and Bond Funds. (The estimate for each fund is, of course, kept separate from the others.)

The Comptroller has, in the meantime, made an estimate of what he considers can reasonably be expected as revenue for the following year. The information for the Revenue Estimate is more or less based upon the revenues received for the previous year corrected insofar as the Comptroller's judgment sees fit to care for possible contingencies that may arise during the following year.

The Comptroller's Estimates of departmental needs, and expected revenues are then forwarded to the Committee on Finance of the City Council who then sit as a committee and analyze the various items of the departmental needs, changing such items or eliminating others as they think fit.

The Committee on Finance then reports the results of their findings to the City Council and this report is the City's Annual Appropriation Bill or "Budget." This Appropriation Bill must be passed by the City Council on or before the 31st of March of the year for which such Bill is prepared. The City Council, of course, exercises its right to change the recommendations of the Committee on Finance as it sees fit.

After the passage of the Bill, the Council has until the next regular meeting of the Council—providing such meeting is held not less than 5 days after the passage of the Bill—to reconsider or amend the items contained in the Bill.

The Council also has until the following June 30th to appropriate additional items from miscellaneous revenues not otherwise appropriated for. (This really means revenues that were not assured at the beginning of the year or that have since then been made available by an unforeseen act.)

No additional appropriation from any sources except in cases of emergency, can be made after June 30th, but transfers can be made with the approval of the Council from one appropriation to another within the same department.

On or before the 2nd Tuesday of August of the same year, the City Council must pass an ordinance levying as a tax upon all property within the city subject to tax the amount of money ascertained by it as being legally appropriated for all corporate purposes. A certified copy of this ordinance is filed with the County Clerk. The County Clerk then ascertains the rate per cent of the assessed valuation of property within the city, subject to tax, that will be necessary to produce the amount certified to him by the city. Under any circumstances this rate percent must not exceed 1.2 per cent after excluding the amount required for payment of interest and principal of bonded indebtedness from this limitation. See Cities and Villages Act, Section 111, Article VIII.—(1.2% equals \$1.20 per \$100.00 assessed valuation.)

The "Juul Law" or amendment to the Revenue Act of Illinois now enters the question. This so-called "Juul Law" was enacted on May 9th, 1901, and has had various amendments made to it since then, the last of which was approved on June 25th, 1917.

This law requires that after the County Clerk has ascertained what the rates per cent of all the various taxing bodies are within the County, he shall

1st: Determine in which taxing district the highest combined rate of all taxing bodies is found.

2nd: Take this highest combined rate and reduce it so that it will not be greater than 3% (or \$3.00 per \$100.00 assessed valuation). This reduction is secured by reducing pro rata all the various rates—except those for State Tax and School Building Tax—until the rate of 3% is secured. The rates so found for the various kinds of taxes are then used throughout the County where the property contained or located therein is subject to such taxes.

The amendment of June 25th, 1917, to this law, in addition to State Taxes and School Taxes, excludes the following from being reduced in this manner:

- Township Taxes;
- Village Taxes;
- Levee Taxes;
- Tuberculosis Sanitarium Taxes;
- High School Taxes;
- District School Taxes;
- Road and Bridge Taxes.

The amendment also excludes the following from reduction in this manner for a period of 5 years beginning with the 1917 levy.

Taxes levied for payment of principal and interest on bonded indebtedness;

Taxes for payment of judgments on bonded indebtedness, levied pursuant to the mandate of any Court of Record.

This Law however, limits the amounts to which certain levies may be reduced, as follows:

County,—to not less than \$0.45 per \$100.00 assessed valuation;

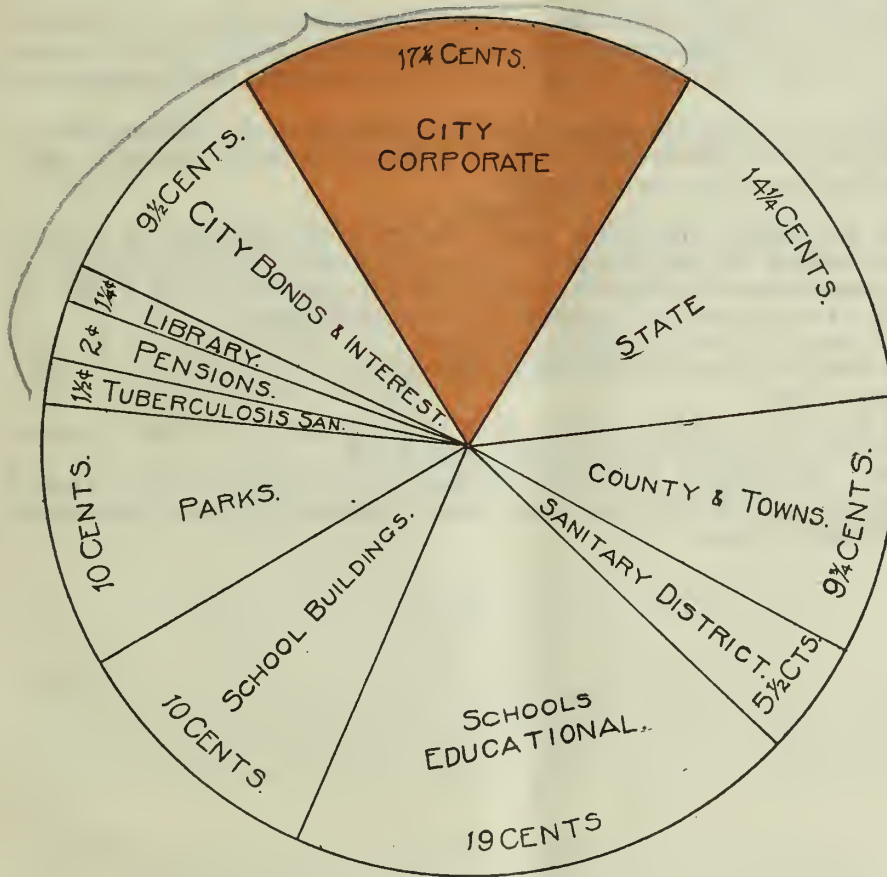
City Corporate—(exclusive of Library, Tuberculosis Sanitarium, Schools, Parks, Interest and Principal of Bonded Indebtedness, and Judgments) to not less than \$1.10 per \$100.00 assessed valuation;

Playground Purposes,—(as an addition to the \$1.10 above for city) to \$0.05 per \$100.00 assessed valuation;

CHART I.

CITY OF CHICAGO

DISTRIBUTION OF ONE DOLLAR OF 1917 TAXES
TO THE VARIOUS TAXING BODIES.



CITY GETS ONLY 17 1/4 CENTS.

EUGENE R. PIKE,
COMPTROLLER.

1417
 State — 14.50 — 07.4
 County & Towns — 9.75 — 9.1
 Schools — 29.00 — 29.4
 San Dist — 5.50 — 4.2
 Parks — 10.00 — 11.5
 City — 26.75 } 38.6
 Library }
 Pensions } 4.75
 31 1/2

School Tax for Educational Purposes,—to not less than \$1.20 per \$100.00 assessed valuation;

Library,—to not less than \$0.08 per \$100.00 assessed valuation..

The trouble with this Law apparently lies in the following:

First: That it is in conflict with the 1.2 per cent rate limit of Section 111 of the Cities and Villages Act, cited above,—therefore the County Clerk dares not extend more than \$1.20 for the City Corporate needs of every kind, except for the payment of interest and principal on bonded indebtedness, library, and Tuberculosis Sanitarium, regardless of the minimums of reductions established by the Juul Law.

Second: That it limits the amount of taxes that may be levied, but does not also limit the amount that may be appropriated by the city council to the amount of revenues the city may secure from the various sources of revenue.

Third: It does not seem to properly proportion the revenues to the amount of services required from the city corporate in comparison to what is required from other taxing bodies.

CHART I.

An interesting comparison arises regarding the sum total of all taxes collected within the city limits as to what portion of the sum total of all taxes collected goes to the City Corporate Fund, which Fund has to pay for all of the functions of city government mentioned above.

By means of the accompanying Chart I, we have endeavored to show the portion of the taxes collected within the city that is paid to the City Corporate Fund.

It will be noted that of each dollar of taxes collected within the city, only \$0.17¼ is paid to the City Corporate Fund.

The approximate amount of miscellaneous revenue varies around \$12,000,000 annually, of which amount approximately 50% to 60% comes from Saloon Licenses.

COMPARATIVE ANALYSIS OF REVENUE AND EXPENDITURES OF CITY CORPORATE FUND.

With the foregoing general explanation of the city's finances, we are now prepared to understand the following comparative analytical report of the city's Corporate Fund revenues and expenditures for a period of years past.

The purpose of making this analysis is to find out approximately the facts given below:

1st: Does the city receive sufficient revenue to meet the expenditures made for Corporate Purposes, providing those revenues were economically administered and expended?

2nd: Does the Corporate Revenue increase in proportion to the increase of services found necessary, providing such services were efficiently performed?

3rd: Have the Corporate Revenues been economically expended during this comparative period?

4th: What has become of the surplus of unexpended revenue the city had available at the end of 1913?

5th: What should the revenues have been for the various years during the comparative period?

6th: What items or conditions cause increase of expenditures within the city over previous years?

7th: What should the revenues be for the year 1919, and what should the expenditures be for that year?

8th: How should the additional revenues be secured if increased revenues and expenditures are found necessary for future years?

When making a comparative analysis such as this, the value or reliability of the resultant analysis depends entirely upon the reliability of the basic year or period of time used as the basis of comparison. It will be noted that the year 1913 is our basic year. We have several reasons for using the figures of 1913 as our basis of comparison, and they are as follows:

First: During the year 1912 the Supreme Court rendered a decision in the case of "The People v. Toledo, St. L. & W. R. R. Co., 254 Ill., page 472, in which the fact that tax levies for Sinking Funds and Interest must be included in the regular tax levy of \$1.10 per \$100.00 assessed valuation, was established.

This ruling was adverse to the method used by the tax levying officials in levying and extending taxes for 1913 and previous years, in that these officials had formerly levied taxes for sinking funds and interest as a separate levy; or in other words, as an additional tax to \$1.10 per \$100.00 assessed valuation. This meant that the Corporate Fund had to suffer from a reduction of revenues that it had customarily received in prior years.

The sum that this court decision reduced the revenues of the Corporate Fund from taxes during the year 1912 amounted to \$2,876,132 approximately. In order to meet this reduction of taxes that the Fund had expected to receive at the beginning of the year when the Appropriation Bill had been passed, the Corporate Fund had to immediately curtail many operations and functions, and in some cases practically abandon them entirely, until we find at the end of the year 1912, that only 40% of the amount appropriated for Extraordinary Corporate Purposes had been expended, and 92.6% of the amount appropriated for Ordinary Corporate Purposes had been expended.

The reason why a greater reduction could not be had in Ordinary Corporate Expense was because of the fact that the court decision was not known until after 8 months of the heaviest expense had been incurred.

Second: This condition or state of city finances was in existence at the beginning of the year 1913, and there appeared to be small likelihood of such conditions being eliminated. At least there was no assurance or certainty that such conditions would be eliminated. Therefore, since the Appropriation Bill must be passed by April 1st, according to law, it was decided to prepare the Appropriation Bill of 1913 upon the basis of the available revenues that were certain at the beginning of the year. Since such revenues were of course also affected by the 1912 Court decision, it was found that the total loss that would be sustained by the city for the year 1913 amounted to approximately \$5,849,006.00.

Many absolutely necessary activities and operations were curtailed or dispensed with in the preparation of the 1913 Appropriation Bill. This will be borne out when the item of Construction and Betterments for this year and also for the year 1912 is compared to that of previous years, as also the comparison of expenditures for such functions as Police, Fire, Health, Etc., of 1913 with 1911 and 1910.

It will become apparent therefore, that appropriations for 1913 were cut and slashed to the very lowest possible minimum, and even below the normal safety point, and for this reason 1913 should be considered as a year of absolute minimum expenditures.

Third: After the Appropriation Bill for 1913 had been passed, the city received financial relief from two sources, namely:

(a) The General Corporate Bond Issue, amounting to \$2,880,000, which was authorized by the voters of Chicago in the spring elections of 1913. This bond issue was authorized for the purpose of reimbursing the Corporate Fund for the amount of revenue it had lost during 1912 in paying Sinking Fund and Interest from its tax revenues.

(b) By the Act of the State Legislature of May 13th, 1913, which authorized the extension and levy of taxes for the payment of principal and interest of Bonded Indebtedness as additional to the regular \$1.10 per \$100.00 assessed valuation levy, for a period of 3 years. (This was further amended in 1917 so as to extend the period in which no reductions were to be made in tax levies for the payment of interest and principal on both bonded indebtedness and judgments up to 1922.)

Neither of these avenues of financial relief however, were made effective early enough in 1913 for the city to make use of any considerable amount of this additional revenue during that year.

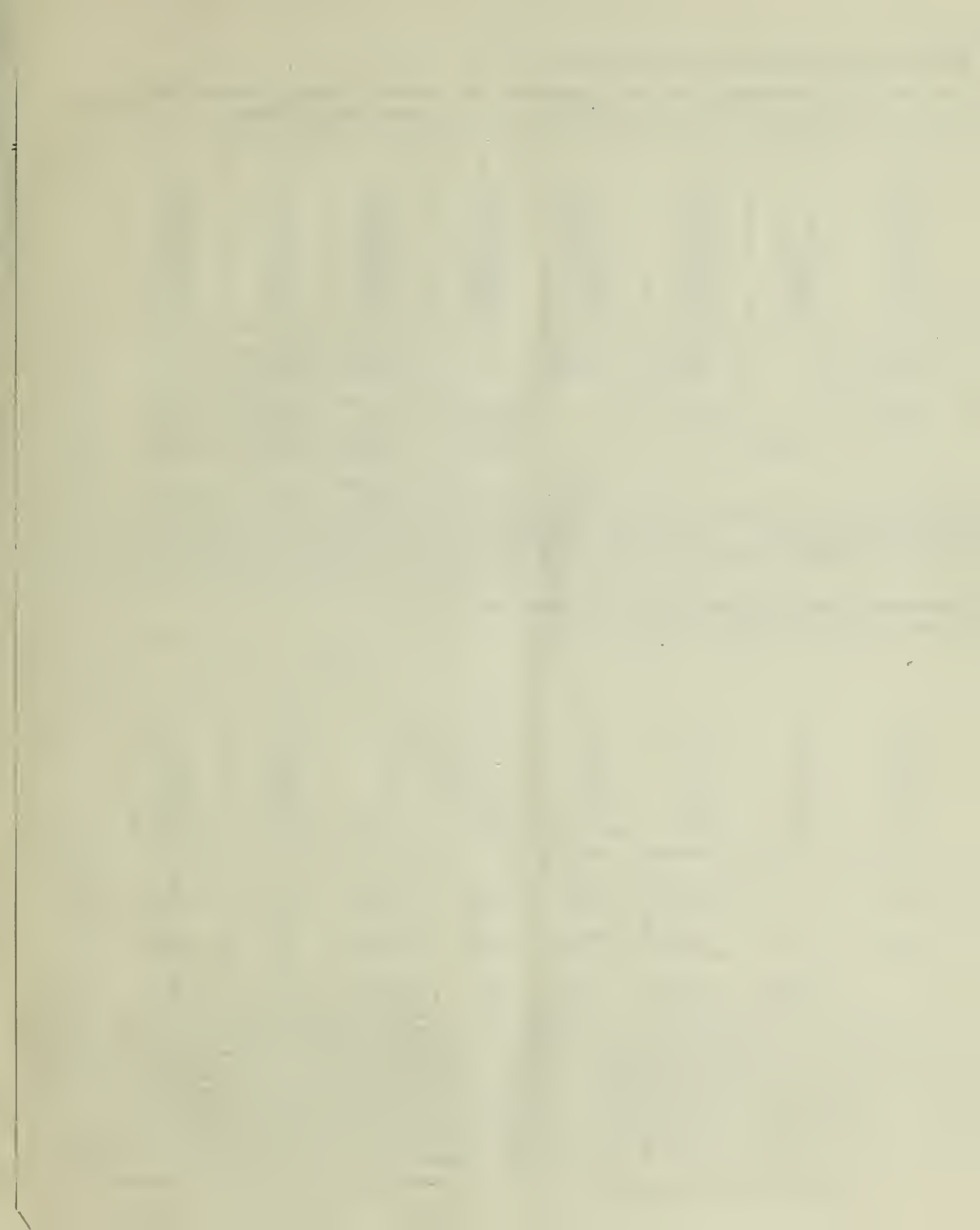


CHART II.

COMPARATIVE STATEMENT OF CORPORATE REVENUES AND EXPENSE—1912 TO 1918.

An Analysis of Corporate Revenues of the City of Chicago Showing the Portion of Such Remaining Available Each Year After Deducting Those Items that Were Expendable for Specific or Special Purposes Only. In Other Words We Endeavor to Put the Revenues Received for Other Years Upon the Same Basis as Those for the Years 1918 and 1919, that Will Be Available to any Corporate Purpose Desired.

YEAR	Revenue from Taxes \$1.10 Per \$100.00 Assessed Valuation	Miscellaneous Revenues	Revenue From Tributary and Other Sources	Symbol	Total Gross Corporate Revenue, Exclusive of Tributary Sources Except as Noted.	Deductions for Special Deposits of Street Railways	Symbol	Deductions for Interest on Bonded Indebtedness	Deduction for Interest on Judgments	Symbol	Deductions for Playground Purposes.	Symbol	Benefits, Paid for from Deductions for Public Unclaimed Rebate Fund	Deductions for Municipal Pension Fund	Deductions for Cost of Sewage Pumping Sta- tion Operation	Deductions for Expenditures from Vehicle Tax Fund	Reimbursement of Corporate Expense from Water Fund	Total Deductions to Be Made from Gross Corporate Revenues	Net Corporate Revenues Available for General Purposes	Percentage Decrease of Net Revenue Com- pared with that of the Year 1913.	
1912	\$ 8,670,601	\$12,272,055	\$ 742,341 a		\$21,684,997	\$ 73,147 *		\$ 1,088,156	\$ 31,164	\$ 723,269 *	\$ 116,316		\$ 401,854		\$ 67,574	\$ 562,358		\$ 3,063,838	\$18,621,159	25.5%	
1913	12,273,564	12,257,115	2,880,000 b		27,413,011	51,576 *		1,087,905	27,246	2,332 *	111,665		356,516		70,246	719,105		2,426,591	24,986,421	0%	
1914	12,734,014	12,676,116	816 a		25,410,946	2,759 *		1,187,162	30,814	210,526	195,876		365,953		71,715		\$ 249,633	2,315,254	23,095,692	7.6%	
1915	13,057,737	12,490,252			25,547,989			1,261,752	32,551	816 *	167,627		392,937					262,384	2,117,251	23,430,738	6.2%
1916	13,462,597	14,317,120			27,779,717			1,349,672			361,559		325,033	\$ 134,127				751,418	2,921,809	24,857,908	0.5%
1917	11,692,557	13,567,225	141,336 c		25,509,291						108,172			141,336				715,311	964,819	24,544,472	1.8%
1918	11,550,000	12,500,000	1,750,000 e		25,800,000					1,750,000 \$						64,725	724,825	2,539,550	22,260,450	6.9%	

a Represents revenue from Judgment Funding Bonds.
b Represents revenue received from General Corporate Bonds expendable for General Corporate Purposes.
c Represents revenue reimbursing Corporate Fund from Municipal Pension Fund, for expenditures made from Corporate Fund for Municipal Pensions.

d Represents revenue reimbursing Corporate Fund for expenditures made from Corporate Fund for Playground Purposes.
e Represents revenue to be received from Bankers' Committee to be reimbursed them through confessed judgments payable from Special Judgment Tax Levy.

* Represents items that are non-deductible from gross expenses in table below, since they are not included in the gross expenses shown in the table below.
\$ Represents the item of revenue promised the city by the Bankers' Committee to meet the discrepancy between Corporate

Revenue and Corporate Expense, and in order to provide the necessary additional revenue to increase the salaries of city employees receiving \$1,740 or less, so that such employees could partially meet the greatly increased cost of living expense. Therefore this item must be considered as a Corporate Expense.

An Analysis of Corporate Expenditures Corrected so as to Show Expenditures Made for General Corporate Purposes Exclusive of those Made for Specific or Special Purposes—Now Paid for from Special Tax Levies or Other Funds than Corporate.

YEAR	Ordinary Expense	Extraordinary Expense	Total Gross Corporate Expense	Deductions to Be Made From Gross Expense, Shown Above Table	Net Total Corporate Expenditures for General Purposes	Excess of Revenue Over Expense	Excess of Expense Over Revenue	Unexpended Funds; Invested Funds; Additional Revenue By Adjustments.	Symbol	Additional Expense By Adjustments	Symbol	Surplus as of December 31.	Deficit as of December 31.	Population as of July 1st	Per Capita Net Cost	Per Cent Increase	COST OVER 1912	Percentage of Per Capita Cost to Be Deducted. See Foot Note X Below.	Per Capita Cost Corrected to 1913 Basis of Services
1912	\$22,973,821	503,037	\$23,476,858	\$ 2,267,422	\$21,209,436		\$ 2,588,277	\$ 130,902				\$ 1,454,168		\$ 2,308,000	9.21	0%	0%		
1913	22,862,187	434,870	23,297,057	2,372,683	20,924,374	\$ 4,062,057		1,577 p		\$ 797,602		4,767,438		2,344,018	8.93	1.49%	0%		8.93
1914	25,375,450	1,819,527	27,202,178	2,311,679	24,891,499		1,795,807	48,815 p		264,491		2,859,982		2,397,600	10.39	0.97%	0%	10%	9.35
1915	26,081,896	1,058,467	27,140,363	2,117,251	25,023,112		1,592,374	152,842 p		345,894		922,554		2,447,845	10.41	1.5%	2.46%	8%	9.58
1916	27,593,893	416,413	28,010,306	2,921,809	25,088,497		230,589	850 p		88,529 s		690,611		2,497,722	10.05	0.22%	17.96%	8%	9.25
1917	25,974,281	246,382	26,220,613	964,819	25,255,794		711,322	76,975 r											
1918	25,267,980	5,000	25,272,980	789,550	24,483,430		1,222,980	10,200 p		561,680			\$ 582,091	2,547,201	9.91	1.64%	79.40%	8%	9.12
								300 p				\$*1,805,071		2,596,680	9.44	13.6%	90.80%	6%	8.87

h Represents excess of Harbor Bond Fund Expense, paid from Corporate Fund.

p Represents Corporate Funds Invested in Capital Accounts.
r Represents net increase of revenue by adjustment of prior years.

s Represents amount of Corporate Funds placed in reserve to pay interest on Bonded Indebtedness.

* This item does not include any amount whatever to care for the contingency of reduction of saloon licenses, due to the recent federal ruling pertaining to the manufacture of

beer, which it is estimated will reduce the miscellaneous revenue which the city actually will receive, approximately \$1,500,000 to \$2,000,000 less than the amount shown in the Revenue Table above. Since there appears to be no doubt but that a reduction of saloon licenses will be had, it will mean that the deficit at the

end of the year 1919 will have been increased between \$6,000,000 and \$7,000,000 instead of the amount shown. Further, there appears to be a possibility that other miscellaneous revenues will also be reduced from the amounts estimated at the beginning of the year. This of course will further increase the deficit.

X These figures represent a low conservative estimate of the percentage of the total net expense of each year subsequent to 1913 which is due to either one or all of the following reasons:
(a) New Functions added since 1913;
(b) Additions to services rendered during 1913 which were found inadequate that year because of the necessity for reducing

such services below even a safe minimum, or additions in subsequent years to services rendered during 1913, to meet demands of public for better conditions increased services over and above the standard of 1913.
These items were corrected so as not to include normal increase of services, due to increase of population.

DEFINITION: EXTRAORDINARY EXPENSE is defined as "those expenditures made for purposes that cannot be considered as either operating or maintenance expenses. It includes such items as new construction work and other additions or improvements to the city's physical properties."

DEFINITION: ORDINARY EXPENSE is defined as "those expenditures made for general operating and maintenance purposes of both the city's ordinary functions, such as Public Safety, Public Health, Courts, Public Works, Public Pleasure, Etc., and the city's physical properties."

From the foregoing we do not believe any one will dispute our statement that the year 1913 is the one in which the expenditures of the city were reduced to the lowest practical minimum and therefore should be considered a sound basic year with which to compare expenditures of subsequent years.

Continuing our analysis, we wish to advise that the facts and figures upon which this analysis is made were secured from the Comptroller's Annual Reports of the years 1912 to 1917 inclusive, and the figures for 1918 were secured from the Appropriation Bill of 1918.

Our next step in the analysis was to adjust the revenues and expenditures reported in the Comptroller's Annual Reports of the various years, and analyze them so that such revenues and expenditures would all be upon the same basis as those of the present year, namely 1918.

To do this we have, in the accompanying Chart II hereto attached, adjusted the revenues for each year so that the net revenues available for Corporate Purposes are shown, and none of these include any item that cannot be appropriated and expended by the city for any purpose or in any manner the City Council may desire. In other words, revenue that is secured during 1918 from special sources and expendable for specific purposes only, and revenue secured from special tax levies during 1918 and expendable for specific purposes only, have been properly deducted from gross revenues of years prior to 1918, where such items were included as Corporate Revenues. Expenditures have likewise been adjusted so as to conform to the adjusted revenues.

CHART II.

Comparative Analysis of Corporate Revenues.

Statements, emanating from various public sources, claiming that the City Corporate Fund has received, during years subsequent to 1913, revenues in excess of those of 1913, are often used as arguments to show that the city has been properly taken care of in the matter of revenue to meet increasing demands of service. With this fact in mind, it was our endeavor to find out whether or not this was the case, and our method of discovering the facts pertaining to this statement is embodied in the Revenue Analysis shown on Chart II.

A comparison of these statements with the figures shown on the accompanying Chart II will show that these statements are misleading and incorrect insofar as they apply to the Corporate Fund, exclusive of those now designated as Tributary Funds. It will be noted that the corrected revenue for 1914 for Corporate Purposes is 7.6% less than that of 1913. The revenue for 1916 is 0.52% less than that of 1913, and that of 1915 is 6.2% less than that of 1913, and that for 1917 is 1.8% less than that of 1913. The estimated revenue for 1918 will be approximately 6.9% less than that of 1913. In no case does the revenue for any subsequent year equal the revenue for Corporate Purposes received during 1913.

No doubt the statement will be made that we have included in our 1913 revenue the \$2,880,000 received from General Corporate Bonds, and that this amount should not be considered as a revenue. To this we would say that we consider this item as much a revenue as that received from any other source, because of the fact that the funds received from this

source were expendable for any Corporate Purpose the city saw fit to expend such funds for. Furthermore, it will be found upon investigation that the funds secured from these bonds were actually spent for Corporate Purposes, and such being the case, it becomes obvious that if the city had not had this source of revenue available it would have had to secure additional revenue during subsequent years to take its place.

At the end of the year 1913, we therefore find that we have a surplus approximately \$4,760,000.00 in the City Corporate Fund.

The form in which the statement shown on Chart II was made up was necessary, due to the fact that Corporate Revenue and Expense as shown in the Comptroller's Report for the several years covered by this analysis varied during the various years regarding what should be considered Corporate Expense. Furthermore, methods of accounting for both revenue and expense differed during the various years, as for instance during the years 1912 and 1913, only the portion of the expense borne by such Corporate functions as the cost of the City Council, Comptroller's Office, Corporation Counsel, City Attorney, City Clerk's Office, Board of Local Improvements, Department of Supplies, and Office of the Commissioner of Public Works, and as were directly chargeable to the Corporate Fund, was appropriated directly from the Corporate Fund; only, and that portion of the expense of these main functions as were directly chargeable to the Water Fund were appropriated directly from the Water Fund.

During the years subsequent to 1913 the total expense of these functions were appropriated for directly from the Corporate Fund, and the portion of expense chargeable to the Water Fund was collected from the Water Fund and accounted for in the Corporate Fund as a Revenue. The same condition applies to other items of expense and revenue.

ANALYSIS OF CORPORATE EXPENSE.

The analysis of Corporate Expense is rather difficult, due to the many factors entering into its consideration. Further, we must also bear in mind the fact that expenditures for 1913, our basic year, were cut to a point below which adequate service could be rendered, in some cases. In fact, in a good many instances, expenses were cut to that point which permitted merely the continuing existence of a skeleton of the organization, without intent of providing adequate service to the citizens of Chicago. In other words, the operations were cut to such an extent, that the city maintained in a number of cases only the nucleus of an organization in 1913, satisfied in the hope that financial relief would come in the following year to make it possible for such operations to be continued in subsequent years, with sufficient revenues appropriated to permit of adequate services. Among the operations that suffered during the year 1913 were the items of Garbage Removal, Bridges and Viaducts, Construction and Betterments, Etc.

It must be borne in mind that a city such as Chicago must annually expend a considerable quantity of its funds for the purpose of construction and betterment of its physical properties, in order to maintain such properties in shape to be efficiently used. Therefore, if we postpone taking care of this item of municipal expense one year, it merely means that we will eventually have to take care of it in some future year in its accumulated form. This is due to the fact that the needs for this item do not cease

with the cessation of revenue. It must be understood that year after year the Public's demand for services and benefits of a kind and class entirely new is another item of expense that must be taken care of, as for instance during 1913 the Board of Mason Examiners, Department of Public Welfare, Department of Public Service, the Morals Commission, Public Comfort Stations, the Bridewell Crematory, Commission on Downtown Municipal Improvements, and the Twelfth Street Improvement Expense, did not exist. In addition to these mentioned, a number of Council Committees and Special Commissions have been formed for various purposes.

From the foregoing few remarks, it becomes readily apparent that when we compare expenditures of one year with those of another, we must necessarily take into consideration matters such as those mentioned above. In addition to these, we must keep in mind the fact that there are certain functions of city government payable from the Corporate Fund that are entirely beyond the control of the City Council as for instance; Municipal Courts, and the Board of Election Commissioners, which latter in itself is increased approximately \$860,214 in 1919 over that required for 1913. The expense of the Municipal Courts have increased approximately \$77,000 (on basis of 1919 estimate) since 1913, and the greater portion of this amount is directly chargeable to increase of salaries of the Associate Judges and Chief Justice of the Municipal Court, and these amounts are not subject to revision by the City Council as they are established by Statute.

The fact also must be borne in mind that the public demand for more intensive services of the kind performed in 1913, over and above the standard furnished during 1913, as for example, more intensive street lighting, better garbage handling facilities, better health protection and conservation service, and bathing beaches, even though the initial expense of construction is borne by bond issues, must be operated by increased forces and these increased forces must be paid for from the Corporate Fund.

With the foregoing facts reviewed, we believe we are better prepared to consider a comparative analysis of expenditures as shown on Chart II.

It will be noted that we have endeavored to show the trend of expenditures from the years 1912 to 1918, inclusive, corrected so as not to include any item of expense that is payable from revenues received from Special Taxes, or reimbursable to the Corporate Fund from any other fund. It will be noted that we endeavor to show the per capita cost of each of the years included, and further, that the year 1913 is shown as having the lowest per capita cost. This fact tends to corroborate our statement that this year is a good sound basic year to take when comparing subsequent years' expenditures, providing our only desire would be to show the expenditures of such subsequent years in the worst light possible; and further, providing that we did not take into consideration any of the facts mentioned above when making such comparison.

It will be noted that the years 1915 and 1914 are respectively the years with the highest per capita expense. This fact can be traceable, we believe, to two reasons, namely:

1st: The natural result of curtailing services in prior years, until the point was reached where it was found impossible to curtail such services any longer, and consequently it was found necessary to increase expenditures to care for the accumulated needs of former years.

2nd: Due to the fact that the year 1914 was practically the last operative year of an outgoing administration, it was evidently the desire of the administration to take care of these accumulated needs of former years, when it discovered that it had sufficient funds to do so, and of course, since the outgoing administration practically had the making of the 1915 Budget, it was natural that the Budget of that year would reflect this fact.

The surprising fact, considering the natural desire on the part of the incoming administration to render the maximum of service if possible, is the downward trend from 1915 of the per capita expense. This is further made more surprising when we contemplate the steeply ascending increase of costs over those of 1913, for the years 1916, 1917, and 1918, and tends strongly to refute statements made public during the early part of this year, when the city authorities were trying to secure a special session of the State Legislature, to provide additional revenues, which would lead one to believe that the cause of the city's financial condition was due to the fact that the city had been compelled in years past to expend more money than what it had received in revenues: In other words, the effort was made to mislead the public into thinking that the shortage of revenue was caused by over-expenditures, when in actual fact the over-expenditures were the natural effect, and the shortage in revenue the actual cause of such effect.

It may not be amiss at this point to call attention to another much abused argument advanced by others who are attempting to show that the Corporate Fund in the past years has not been properly expended, and because of such improper expenditures it was naturally insufficient to meet such needs or expenditures. This argument is usually advanced in the form of a query, namely; "What has become of the surplus of December 31st, 1913, and how was it expended if it was not improperly expended?"

There really is no mystery as to what has become of the surplus of 1913, nor do we believe that it can be said by people who are willing to give the matter fair consideration that this surplus has been improperly expended. There are several reasons why this surplus fund of \$4,760,000.00 has been reduced year by year until we find at the end of the year 1917 a deficit of \$582,000.00 approximately. Among such reasons we have found the following:

First: The contract entered into on October 27th, 1910, with the Sanitary District for the extension of the Municipal Lighting System, is a contract that has been continually adding a greater burden on the Corporate Fund, and it no doubt will be advisable to go into detail regarding this contract. We must bear in mind the fact that this was a contract for a Public Improvement which can be designated as a permanent construction or betterment, which being the case, such a contract cannot be considered as an operating expense. This contract was to be paid in seven annual installments with the first installment due in 1912. Interest was to be paid annually upon the balance that had been earned but not paid. It is a sound principle of Municipal financing to finance such an item of expense as a Permanent Construction or Betterment such as this was, by means of a Bond Issue, so that the burden of expense will be equally divided over future generations who will benefit by such permanent improvements. The city

authorities at the time this contract was entered into did not see fit to handle this item of expense from a Bond Issue, but encumbered the Corporate Fund with its expense instead. However, at the same time, they arranged the payments in such a manner as to make such payments lightest during the term of years they would hold office. This becomes readily apparent when we consider the tabulation of the annual installments of both principal and interest given below. It brings to your attention the unequal burden of this contract upon the years subsequent to 1913.

Year	Inst. No.	Amt. of Princ. Due.	Amt. of Int. Due	Total Amt. Paid
1912	1st	\$ 1,051.89	\$ 32,354.91	\$ 33,406.79
1913	2nd	64,986.99	84,743.51	149,730.47
1914	3rd	325,639.98	118,077.55	443,717.53
1915	4th	628,009.80	100,000.00	728,009.80
1916*	5th	924,141.82	175,000.00	1,099,141.82
1917*	6th	1,479,092.68	125,033.75	1,604,126.43
1918*	7th	1,802,350.71	81,441.49	1,883,792.20

* Items marked thus were not paid from Corporate Fund, but were permitted, or are going to be permitted to go to Judgment, and therefore be paid from special tax levy permissible under the law for Judgments.

Analyzing the above tabulation, it becomes readily apparent that the Corporate Fund during the year 1914, was burdened with an expense for this particular item alone amounting to practically \$300,000 more than in 1913, and almost \$580,000 more in 1915 than what the year 1913 had to carry. It naturally follows that since the Corporate Fund received approximately \$1,900,000 less revenue in 1914 than it did in 1913, and in conjunction with the other factors entering into the increased cost and Corporate Fund Expense, this difference of expense of the years 1914 and 1915 for this item alone had to be paid from the surplus.

Second: It was during the year 1914 that the city undertook the construction of the Municipal Garbage Plant which is another expense that the year 1913 and prior had nothing to do with. This Garbage Plant is, without question, at the present time self-supporting, but during those years 1914, 1915, and 1916, and even up into 1917, this plant was in process of construction, and naturally was not in a position to bring in any revenue to the city. During these construction years this plant was naturally not self-supporting; in fact it did not become self-supporting until practically the end of 1917. Incidentally we must also remember the fact that the revenue from this new function is part of the miscellaneous revenue of the city going into the Corporate Fund which Fund, even with this assistance, shows a decrease from the 1913 total.

Third: Another large item of added expense on the Corporate Fund in 1914 was the sum of \$210,526 paid on Judgments against the city, which sum was never reimbursed.

Fourth: Consider the great increase of Election Expense over and above that of 1913 for the same item. We find that the increase for this expense over and above that of 1913, for the year 1914 was \$360,870, and 1915 expense for this same item was \$332,403 more than 1913. For the year 1916 it was \$810,731 more than 1913, and for the year 1917 it was \$600,397 more than 1913. Remembering that this is an expense which the city authorities practically cannot control under present conditions, and remembering the fact that practically no increase of revenue has been secured, it naturally follows that some part of the surplus fund must be used.

Fifth: There have been a number of new functions developed within the city service since 1913 which in the year 1914 alone required an added expenditure over \$230,000 more than in 1913.

Sixth: Consider the item of added expense since 1913 of increased costs of both commodities and labor. It is estimated that approximately 20% of the total city's expense, insofar as the Corporate Fund is concerned, is for commodities which have increased since August 1st, 1914 to August 1st, 1918 approximately 92%. It is estimated that approximately 65% of the total Corporate Expense is chargeable to salary and wages which have only increased between 10% for unorganized labor and about 21% as an average for organized labor, including skilled and unskilled labor. One should bear in mind these facts when wondering where the surplus fund has disappeared to.

It may not be amiss at this point to take one year, namely the year 1914, and analyze the increased expense of this year compared to 1913 in order to see for what the increased expenditures were. Among the items of increased expense for 1914 over that of 1913 we have the following:

FUNCTION	AMOUNT OF INCREASE
City Council	\$ 44,109 -
Comm. Railway Terminals	49,912 (new)
Comm. Local Industries	8,130 (new)
Permanent Charter Comm.....	1,205 (new)
Comptroller's Office	75,935 -
Interest	139,625
Rent	75,327 -
Workmen's Compensation	8,493 (new)
Judgements Paid.....	210,526
Election Expense	360,870
City Waste Comm.....	7,089 (new)
Police Department	365,662
Fire Department	249,196
Health Department, Mostly Garbage Plant.....	381,502 - 47,300
Oil Inspector	12,013 (new)
Department Public Welfare	21,835 (new)
Committee on Health	893 (new)
Committee on Crime	21,131 (new)
Gas and Electricity	133,626
Public Service	78,284 (new) -
Commissioner of P. W.'s Office, including Underground Serv. Invest.	40,255 70.
Bureau of City Hall.....	87,156
Bureau of Streets	357,289
Bureau of Engineering	115,686
Commission on Unemployment	25,000 (new)
Construction—House of Correction	5,223
New Fire Department Buildings.....	17,759
Garbage Plant and Incinerating Plants.....	693,061 (new)
New Construction—Parks and Playgrounds.....	54,660
Extension of Street Lighting and Police and Fire Alarm Tele- graph, including 3rd Install. of San. District Contract.....	391,500
Construction of New Ward Offices, Loading Stations, and Pur- chase of new equipment for Bureau of Streets.....	111,828
Total	\$3,701,430

It will be noted that approximately \$1,200,000 of the above total is for new construction and betterments, and approximately \$230,000 for new functions created during that year, which functions under the conditions prevailing at that time we believe were necessary. Some of these functions were created to meet a public demand for such.

It will be noted from the total above that there is a balance between this total and the total increase of expense of 1914 over 1913 of approximately \$260,000 in round figures, of which \$60,000 was used for the purpose of establishing Capital Accounts leaving a net balance of approximately \$200,000 to take care of the normal increase of all other operating departments including all of the inspection services, Board of Local Improvements, Law Department, Etc.

The greater portion of the amount of increase shown above for the Police Department was the increase of subordinate commanding officers, and the increase of the detective branch of the service. The increase shown for the Fire Department was a uniform increase of all items of expense, due to the increase of the force. The increase of the expense of the Bureau of Streets was for the purpose of more nearly furnishing adequate services in street cleaning, garbage and ash removal, which had been curtailed during 1913 to such an extent that the services rendered during 1913 were considered inadequate to meet the city's needs.

The increase for the Oil Inspector's Office, shown hereon, is due to the fact that in years prior to 1914 the revenues of this office had been used directly for taking care of the expense of this office, instead of being considered as a revenue of the Corporate Fund.

We find that it was necessary to dip into the surplus to the extent of \$1,795,807 at the end of 1914, leaving a surplus of \$2,859,982. Due to the fact that the Corporate revenue of 1915 still shows a decrease of 6.2% below 1913 Revenue, and items of expense for 1914 had in most cases been further increased due to normal demands for increased services, and the increase of commodity costs, which increases can be expected from year to year, we find that at the end of 1915 the surplus was cut to \$922,554.00.

It will be noted that we have endeavored to correct the per capita costs of each year subsequent to 1913 so as to show this cost upon the basis of actual services rendered in 1913 per capita. In other words, in those years subsequent to 1913 new functions were added to the city's operating expense which were not in existence during 1913, and upon the basis of actual services rendered in 1913 per capita. In other words, in those years subsequent to 1913 new functions were added to the city's operating expense which were not in existence during 1913, and additions were made to various services rendered by the city over and above the standard service of 1913 which were not due to normal increase as a result of growth of population but were made necessary by either the inadequacy of the 1913 service standards, or the demand upon the city by the Public for more intensive services per unit.

We have endeavored to show what the per capita net cost actually was for the various years, including 1912, 1913, and subsequent years, and in the next to the last column we have inserted the percentage of the total expense which can be attributed to the demands of the Public for increased or more intensive services than were furnished under the 1913 service standards. These figures also represent the increase of expense found necessary to furnish nearly normal services to the citizens of Chicago, due to the fact that the 1913 standard was secured in those instances through the simple process of cutting down such services below a safe minimum, or in other words, below the point which could be considered normal for services required by the population of Chicago at that time.

The last column of the Expense Statement shows the corrected per capita cost, exclusive of corrections for increased costs, to the basis of the standards established in 1913. It must be considered that the figures represented in the last column of Corrected Per Capita Costs are not corrected for increased prices of either commodities or labor.

When this last mentioned fact is taken into consideration it becomes readily apparent that the costs of operation for city Corporate Purposes, when compared with 1913 costs, have actually been steadily declining instead of increasing.

CHART III.

The statement we have made in the foregoing paragraph, in which we claim that Corporate Expense, when corrected and compared to the 1913 basis, has been steadily declining, will undoubtedly require supporting data. Therefore, we have prepared Chart III which is in fact a table showing the wholesale prices or index numbers of such prices or costs from the basis of August 1st, 1914. We wish to state at this point, that these figures were secured from Dun's Review and they represent several hundred standard commodities that enter into the question of commodity cost, and they are practically universally accepted as a competent basis of cost comparison. It will be noted that the total of all of the various commodities has increased practically 92% between August 1st, 1914, and August 1st, 1918.

For several years prior to the period of August 1st, 1914, prices were found to be fairly stable compared to the prices of the years subsequent to this period.

CHART III.

(Taken from Dun's Review—August, 17th Number)

TABLE SHOWING INCREASED COST OF COMMODITIES.

Year	Month	Bread Stuffs	Meat	Dairy & Garden	Other Food	Clothing	Metals	Miscel.	Total	Per Cent Increase Over Aug. 1, '14
1915	Jan. 1.....	\$25.891	\$10.705	\$19.289	\$10.602	\$19.724	\$16.163	\$21.794	\$124.168	2.51
	Feb. 1.....	29.052	10.601	17.464	10.478	20.117	16.296	21.654	125.662	3.9
	March 1.....	28.606	10.731	15.580	10.822	20.221	16.343	21.855	124.258	2.52
	April 1.....	28.867	11.072	15.585	10.761	20.480	15.942	22.383	125.090	3.4
	May 1.....	29.807	11.668	15.464	10.705	20.786	15.834	22.385	126.649	4.7
	June 1.....	28.357	12.513	15.132	10.597	20.748	16.138	22.507	125.992	4.1
	July 1.....	26.467	12.134	15.563	10.724	20.902	16.607	22.561	124.958	3.3
	Aug. 1.....	25.999	11.388	16.030	10.970	21.400	16.616	22.676	125.079	3.4
	Sept. 1.....	24.978	11.440	16.256	10.850	21.462	16.956	22.742	124.684	3.1
	Oct. 1.....	23.540	11.469	18.769	10.717	21.926	17.065	23.177	126.663	4.7
	Nov. 1.....	24.024	11.392	20.616	10.956	22.325	17.276	23.878	130.467	7.85
	Dec. 1.....	25.164	10.551	20.971	11.224	22.808	18.328	24.100	133.146	10.0
1916	Jan. 1.....	27.318	11.494	20.509	11.212	23.420	18.893	24.820	137.666	13.8
	Feb. 1.....	28.781	12.232	20.400	11.401	23.601	19.819	26.025	142.260	17.6
	March 1.....	26.278	13.222	20.812	11.527	23.783	20.387	26.101	142.110	17.4
	April 1.....	26.703	14.166	21.256	11.932	24.947	20.643	26.043	145.690	20.2
	May 1.....	26.773	14.611	20.633	12.070	25.139	20.889	26.082	146.197	20.8
	June 1.....	25.631	15.045	19.267	12.231	25.392	21.656	26.175	145.397	20.1
	July 1.....	26.378	14.400	19.435	12.156	25.800	21.174	25.799	145.142	20.0
	Aug. 1.....	28.660	13.655	17.366	12.016	25.899	21.057	25.277	145.930	18.9
	Sept. 1.....	31.061	14.690	21.541	11.962	26.516	21.224	21.224	152.018	25.7
	Oct. 1.....	31.821	13.691	20.702	12.616	26.826	21.326	25.373	152.355	25.9
	Nov. 1.....	36.772	14.238	24.273	13.021	29.099	21.798	25.639	164.840	36.3
	Dec. 1.....	36.090	14.248	25.403	12.923	30.234	23.390	25.802	168.090	38.9
1917	Jan. 1.....	36.152	15.020	25.167	12.928	30.082	24.451	25.762	169.562	40.1
	Feb. 1.....	37.865	16.124	27.372	12.988	30.380	25.029	26.515	176.273	45.7
	March 1.....	40.955	17.031	31.509	13.166	30.389	25.977	27.217	186.244	53.8
	April 1.....	43.813	18.894	29.301	13.289	30.678	26.683	27.354	109.012	57.0
	May 1.....	55.360	19.385	30.722	13.717	32.081	28.443	28.727	208.435	72.3
	June 1.....	53.504	19.810	33.606	13.865	33.025	29.888	28.887	212.585	75.7
	July 1.....	53.918	18.824	26.449	14.225	36.527	32.390	29.617	211.950	75.2
	Aug. 1.....	64.071	17.746	21.247	15.213	36.917	32.575	31.010	218.779	80.8
	Sept. 1.....	54.688	19.355	22.751	15.552	38.615	32.657	31.392	215.010	78.5
	Oct. 1.....	55.518	19.127	25.802	16.086	39.436	31.159	32.551	219.679	81.6
	Nov. 1.....	55.680	18.168	25.886	18.720	40.444	29.843	32.009	220.750	82.4
	Dec. 1.....	53.996	19.008	27.021	18.767	40.745	28.413	32.222	220.172	82.0

Based Upon Represent

YEAR	CHIEF CLERKS			
	No.	Salary	Average	%
1913	4	\$14,200	\$3,550	
1914	5	16,400	3,280	—4.
1917	5	16,400	3,280	—4.
1918	4	14,900	3,725	4.

DESIGNATION

Carts
Teams
Brick Layers
Machinists
Machinist Helpers
Cement Mixers
Electric Mechanics
Carpenters
Steam Fitters
Steam Fitters Helpers.....
Hoisting Engineers
Painters
Plasterers
Construction Laborers.....
Building Laborers
Structural Iron Workers.....
Blacksmiths
Blacksmith Helpers
Pattern Makers
Sheet Metal Workers.....
Iron Molders
Core Makers
Laborers
Plumbers
Calkers
Plumbing Inspectors
Electrical Repairers
Telegraph Repairers
Assistant Telegraph Repairers.....
Linemen
Cable Splicers

COMPARA

Year
Number of Employees Considered.....
Total Salaries Paid to Same.....
Average Yearly Salaries.....
Per Cent Increase Over 1912.....

CHART IV.

COMPARATIVE STATEMENT OF CLERK HIRE

Based Upon Representative Municipal Offices Employing a Considerable Number of Clerks and Showing Per Centage of Increase of Average Yearly Salary.

YEAR	CHIEF CLERKS				HEAD CLERKS				PRINCIPAL CLERKS				SENIOR CLERKS				JUNIOR CLERKS				TOTAL			
	No.	Salary	Average	% Inc.	No.	Salary	Average	% Inc.	No.	Salary	Average	% Inc.	No.	Salary	Average	% Inc.	No.	Salary	Average	% Inc.	No.	Salary	Average	% Inc.
1913	4	\$14,200	\$3,550		2	\$4,840	\$2,420		18	\$35,700	\$1,983		76	\$109,980	\$1,447		110	\$118,080	\$1,076		210	\$282,800	\$1,347	
1914	5	16,400	3,280	-4.8%	2	4,840	2,420	0%	21	41,700	1,985	0.1%	81	118,200	1,458	0.76%	129	138,720	1,076	0%	238	319,860	1,340	-0.52%
1917	5	16,400	3,280	-4.8%	3	7,380	2,460	1.65%	22	45,000	2,045	3.13%	84	129,420	1,540	6.44%	130	143,040	1,100	2.23%	244	341,240	1,397	3.71%
1918	4	14,900	3,725	4.94%	2	5,220	2,610	7.85%	26	52,800	2,030	2.36%	95	154,740	1,630	12.64%	108	129,640	1,198	11.22%	235	357,300	1,518	12.7%

COMPARATIVE STATEMENT OF WAGES PAID TO SKILLED LABOR AND HIRED TEAMS

Showing Per Centage of Increase of Rate of Pay.

DESIGNATION	1912			1913			1915			1917			1918		
	Rate of Pay			Rate of Pay Per Cent Inc. Over 1912			Rate of Pay Per Cent Inc. Over 1912			Rate of Pay Per Cent Inc. Over 1912			Rate of Pay Per Cent Inc. Over 1912		
Carts	\$ 3.75	Per D.	0%	\$ 3.75	Per D.	0%	\$ 4.50	Per D.	20.0%	\$ 4.50	Per D.	20.0%	\$ 6.00	Per D.	60.0%
Teams	5.50	"	0%	5.50	"	0%	6.00	"	9.1%	6.00	"	9.1%	8.00	"	45.5%
Brick Layers	5.60	"	7.1%	6.00	"	7.1%	6.00	"	7.1%	6.00	"	7.1%	7.00	"	25.0%
Machinists	5.20	"	5.8%	5.50	"	5.8%	5.50	"	5.8%	6.00	"	15.4%	6.80	"	30.8%
Machinist Helpers	3.75	"	0%	3.75	"	0%	3.75	"	0%	4.25	"	13.3%	5.00	"	33.3%
Cement Mixers	3.20	"	0%	3.20	"	0%	3.20	"	0%	3.40	"	6.2%	4.00	"	25.0%
Electric Mechanics	6.00	"	0%	6.00	"	0%	6.00	"	0%	7.00	"	16.7%	7.00	"	16.7%
Carpenters	4.80	"	8.3%	5.20	"	8.3%	5.60	"	16.7%	5.60	"	16.7%	6.40	"	33.3%
Steam Fitters	5.50	"	9.1%	6.00	"	9.1%	6.00	"	9.1%	6.00	"	9.1%	6.50	"	18.2%
Steam Fitters Helpers	3.50	"	0%	3.50	"	0%	3.50	"	0%	3.50	"	0%	6.50	"	85.8%
Hoisting Engineers	5.60	"	7.1%	6.00	"	7.1%	6.00	"	7.1%	6.00	"	7.1%	7.00	"	25.0%
Painters	4.80	"	8.3%	5.20	"	8.3%	5.60	"	16.7%	5.60	"	16.7%	6.00	"	25.0%
Plasterers	5.60	"	7.1%	6.00	"	7.1%	6.00	"	7.1%	6.00	"	7.1%	6.50	"	16.8%
Construction Laborers	3.20	"	0%	3.20	"	0%	4.00	"	25.0%	4.60	"	43.8%	5.60	"	75.0%
Building Laborers	3.20	"	0%	3.20	"	0%	3.20	"	0%	3.60	"	12.5%	4.00	"	25.0%
Structural Iron Workers	5.28	"	3.1%	5.44	"	3.1%	5.44	"	3.1%	6.00	"	6.5%	7.00	"	32.6%
Blacksmiths	5.00	"	10.0%	5.50	"	10.0%	6.00	"	20.0%	6.00	"	20.0%	7.00	"	40.0%
Blacksmiths Helpers	4.00	"	12.5%	4.50	"	12.5%	5.00	"	25.0%	5.00	"	25.0%	6.00	"	50.0%
Pattern Makers	5.40	"	0%	5.40	"	0%	6.00	"	11.1%	6.80	"	25.5%	8.00	"	48.2%
Sheet Metal Workers	5.00	"	4.0%	5.20	"	4.0%	5.50	"	10.0%	5.60	"	12.0%	6.40	"	28.0%
Iron Molders	4.80	"	0%	4.80	"	0%	5.00	"	4.2%	5.00	"	4.2%	6.00	"	25.0%
Core Makers	5.00	"	0%	5.00	"	0%	5.00	"	0%	5.00	"	0%	6.00	"	20.0%
Laborers	2.00	"	0%	2.00	"	0%	2.00	"	0%	2.50	"	25.0%	4.00	"	100.0%
Plumbers	5.50	"	9.1%	6.00	"	9.1%	6.00	"	9.1%	6.00	"	9.1%	6.50	"	18.2%
Calkers	4.00	"	12.5%	4.50	"	12.5%	4.50	"	12.5%	5.50	"	37.6%	6.50	"	62.5%
Plumbing Inspectors	117.00	Per M.		145.00	Per M.		156.00	Per M.	33.3%	156.00	Per M.	33.3%	169.00	Per M.	43.4%
Electrical Repairers	140.00	"		155.00	"		165.00	"	17.9%	165.00	"	17.9%	180.00	"	28.6%
Telegraph Repairers	140.00	"		155.00	"		165.00	"	17.9%	165.00	"	17.9%	130.00	"	28.6%
Assistant Telegraph Repairers	100.00	"		115.00	"		125.00	"	25.0%	125.00	"	25.0%	140.00	"	40.0%
Linemen	4.50	Per D.	11.1%	5.00	Per D.	11.1%	5.50	Per D.	22.2%	5.50	Per D.	22.2%	6.00	Per D.	33.3%
Cable Splicers	5.00	"	10.0%	5.50	"	10.0%	6.00	"	20.0%	6.00	"	20.0%	7.00	"	40.0%

COMPARATIVE STATEMENT OF SALARIES PAID TO REGULAR MUNICIPAL EMPLOYEES IN ALL CLASSES OF SERVICE

Year	1912	1913	1914	1915	1916	1917	1918
Number of Employees Considered	9787	9807	10586	10970	11980	11086	10274
Total Salaries Paid to Same	\$13,136,556	\$13,348,225	\$14,347,669	\$14,943,372	\$15,410,367	\$15,125,042	\$15,665,038
Average Yearly Salaries	\$1,342.24	\$1,361.06	\$1,355.34	\$1,362.23	\$1,345.37	\$1,364.33	\$1,524.72
Per Cent Increase Over 1912	0%	1.49%	0.97%	1.5%	0.22%	1.64%	13.6%

1918	Jan.	1.....	54.276	19.292	27.416	18.744	40.880	29.273	32.294	222.175	83.7
	Feb.	1.....	54.001	20.577	28.768	18.848	42.384	29.584	32.858	227.020	87.7
	March	1.....	55.498	20.917	27.123	19.194	42.213	29.914	33.118	227.977	88.5
	April	1.....	57.036	22.246	25.155	20.326	43.322	29.508	33.720	230.313	90.4
	May	1.....	51.328	22.467	23.706	21.414	43.450	29.880	34.420	226.665	87.4
	June	1.....	48.360	22.362	23.826	21.096	44.707	29.936	34.556	224.843	85.8
	July	1.....	51.420	23.719	24.750	21.929	45.238	30.170	35.349	232.575	92.2
	Aug.	1.....	51.620	23.085	24.681	22.307	44.285	30.345	35.735	232.058	91.8

NOTE

BREADSTUFFS include quotations of wheat, corn, oats, rye and barley, besides beans and peas.

MEATS include live hogs, beef, sheep and various provisions, lard, tallow, etc.

DAIRY AND GARDEN included butter, eggs, vegetables and fruits.

OTHER FOODS include fish, liquors, condiments, sugar, rice, tobacco, etc.

CLOTHING includes the raw material of each industry and many quotations of woolen, cotton and other textile goods, as well as hides and leather.

METALS include various quotations of pig iron, and partially manufactured and finished products, as well as minor metals, coal and petroleum.

MISCELLANEOUS embraces many grades of hard and soft lumber, lath, brick, lime, glass, turpentine, hemp, linseed oil, paints, fertilizers and drugs.

CHART IV.

On Chart IV we have endeavored to show the increase of salaries paid to various classes of city employees. On the bottom of this Chart it will be found that the per cent increase of salaries amounts to about 13.6% for all classes of employees of the city, while the per cent increase for skilled labor and hired teams shows increases of from 16.7% to 100%. All of these figures were secured from an analysis of the Pay Rolls of the city for prior years.

INCREASE OF PHYSICAL ITEMS PERTAINING TO THE CITY.

In conjunction with these cost charts, it will be necessary to furnish an estimate as to how much various physical items have increased, insofar as they relate to the various functions of the city. We therefore give below, a few such figures.

Year	% Incr of Population	% Incr. of Miles of Streets	% Incr of Miles of Sewers	% Incr. of No. of Bldgs.
1913	0	0	0	0
1914	2.3	3.4	8.3	3
1915	4.4	6.2	12.8	6
1916	6.7	7.5	17.3	9
1917	8.7	8.6	21.3	11
1918	11.8	10.0	23.5	11.5

CHART V.

In order to secure a competent knowledge as to what increased costs represent in increased expenditures, we have endeavored to show on Chart V the commodity distribution of expense taken from the Comptroller's Report of 1913, and by studying what these items represent and in what manner and to what extent each classification of commodities as shown on this Chart would be increased in amount expended, due to such increased costs of labor and commodities.

From an analysis of Chart V we find that the difference between 1913 and 1918 expenditures, due to increase costs of labor and commodities only, represents an increase of expense of 20.2% of the total expense for all items of expense for the year 1913.

CHART V. COMPARATIVE STATEMENT OF EXPENSE FOR LABOR AND COMMODITIES BETWEEN 1913 AND 1918.

Showing What the Same Quantity of Labor and Commodities Would Cost in 1918, as Was Furnished During 1913, on Account of Increased Cost of Such Labor and Commodities.

Code Letter	DESIGNATION OF COMMODITY CLASS	Amount Expended in 1913	Estimated Per Cent Increase of Cost Since 1913	Estimated Expenditures in 1918 for Same Purpose	REMARKS
A	Salaries and Wages.....	\$15,605,380.86	13.6%	\$17,727,712.65	
B	Hire of Teams.....	1,462,910.90	60.0%	2,340,657.44	
C	Supplies	415,714.21	87.0%	777,385.57	
D	Materials for Repairs.....	241,316.09	87.0%	451,261.09	
E	Repairs by Contract or Open Order.....	116,682.20	43.0%	166,855.54	
F	Apparatus, Machinery, Vehicles, Etc.....	69,663.39	87.0%	130,270.53	To consist of Org. Labor
G	Furniture, Fixtures & Library.....	20,888.65	87.0%	36,981.77	33% Inc. 20.5% Comm.
H	Printing, Stationery & Office Supplies.....	176,736.20	87.0%	330,496.69	61% Inc. 90%.
I	Advertising	14,826.88	15.0%	17,030.91	
J	Street Car Transportation.....	29,367.71	0%	29,367.71	
K	Rents of Real Estate and Buildings.....	103,746.76	10.0%	114,121.44	
L	Fuel and Power	234,826.19	60.0%	375,721.90	This is based upon probable renewal rates.
M	Purchase of Horses.....	21,060.00	87.0%	39,382.00	
N	Forage, Shoeing, Boarding & Care—Horses.....	197,232.15	80%	355,017.87	
O	Street Lighting by Contract.....	714,979.66	0%	714,979.66	
P	Interest (Tax Warrants).....	188,497.94	0%	188,497.94	
R	Taxes & Spec. Assessments on City Prop.....	187,253.83	0%	187,253.83	
S	Impr. Services, Benefits, Claims & Refund.....	1,087,801.89	15.0%	1,250,972.17	
Z	Loss & Cost Collection of Taxes.....	598,398.34	0%	598,398.34	
	Total Expense	\$21,487,283.85		\$25,832,365.05	

Average Per Cent Incr. of Costs Since 1913 = $\frac{1918 \text{ Total Expense} - 1913 \text{ Total Expense}}{1913 \text{ Total Expense}}$ = $\frac{\$4,345,081.20}{\$21,487,283.85}$ = 20.2% Increase

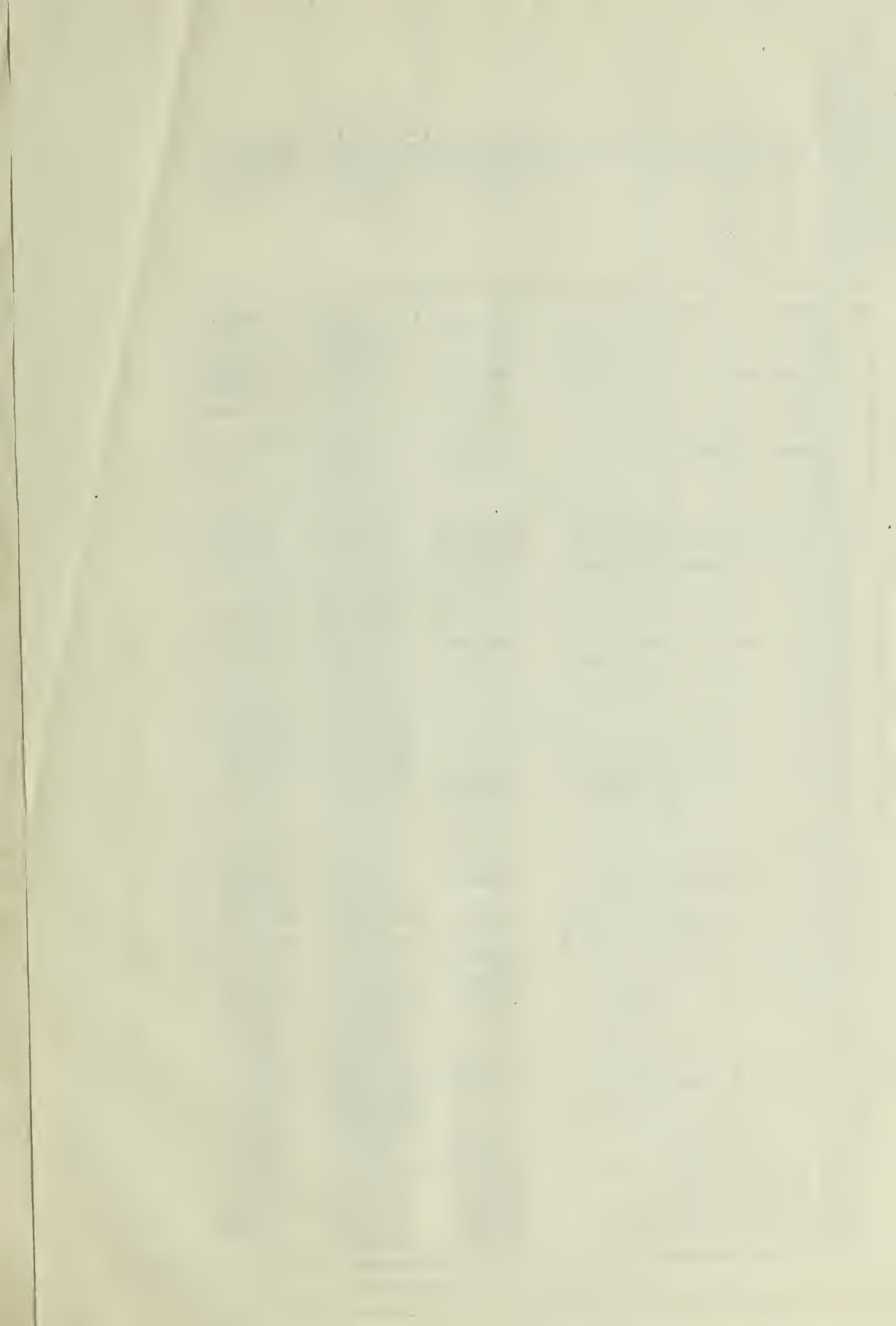


CHART VI.

ACCOUNT NUMBER	FUNCTIONS EXISTING DURING 1913	AMOUNT SPENT DURING 1913	PER CENT INCREASE OF EXPENSE OVER 1913 TOTAL DUE TO VARIOUS CONTROLLING FACTORS.								FUNCTIONS ADDED SINCE 1913	EST. AMOUNT OF EXPENSE OF THE ADDED FUNCTION	EST. TOTAL EXPENSE FOR THE YEAR 1919 CORRECTED FROM THE 1913 TOTAL EXPENSE	ACTUAL 1919 DEPARTMEN- TAL ESTIMATE AS RECEIVED.
			Increase of Expense Due to Increased Cost of Labor & Comm.	Increase of Expense Due to Increased Length of Haul,	Increase of Expense Due to Increase of Population.	Increase of Expense Due to Increase of Services Rendered Due to Inadequacy of 1913 Standard,	Increase of Expense Due to Increased Sewer Mileage.	Increase of Expense Due to Increased No. of Buildings.	Increase of Expense Due to Increase of Services Rendered Per 1913 Unit Due to Public Demand for a More Intensive Service per Same Unit.					
1.	Mayor's Office.....	\$ 27,873.86	20.2%	0%	0%	0%	0%	0%	0%	None.....		\$ 33,504.86	\$ 29,105	
2.	Bur. of Statistics and Mun. Ref. Library....	5,077.02	20.2	0	0	0	0	0	0	None.....		6,102.55	10,050	
3.	Transportation Department.....	6,710.25	20.2	0	0	0	0	0	0	None.....		8,065.42		
4.	City Council.....	208,434.24	20.2	0	0	0	0	0	0	None.....		250,537.67	248,000	
5.	Comm. on Finance.....	6,876.08	20.2	0	0	0	0	0	0	Finance Staff.....	\$ 30,000.00	38,264.95	35,640	
6.	“ “ Local Transportation.....	6,188.37	20.2	0	0	0	0	0	0	None.....		7,437.97	2,080	
7.	“ “ Gas, Oil & Electric Light.....	14,885.09	20.2	0	0	0	0	0	0	None.....		17,891.78	Not reported	
8.	“ “ Lake Shore Reclaim.....	243.03	20.2	0	0	0	0	0	0	None.....		292.09		
10.	“ “ Harbors, Wharves and Bridges.....	5.00	20.2	0	0	0	0	0	0	None.....		6.01	Not reported	
11.	Chicago Plan Commission.....	9,584.44	20.2	0	0	0	0	0	0	Increased Activities.....	20,415.56	31,000.00	31,000	
	Comm. on City Expenditures.....	6,393.61	20.2	0	0	0	0	0	0	None.....		7,685.59		
13.	“ “ Garbage Investigation.....	1,001.20	20.2	0	0	0	0	0	0	None.....		1,203.20		
15.	City Clerk's Office.....	62,930.38	20.2	0	0	0	0	0	0	None.....		75,641.86	65,610	
16 to 18.	Department of Law.....	406,908.40	20.2	0	0	0	0	0	0	None.....		489,200.01	482,120	
20.	Comptroller's Office (Inc. 51.).....	162,893.91	20.2	0	7	0	0	0	0	Effic. Div., Statis. Div., R. Est. Div.....	50,000.00	259,504.50	302,850	
21.	Interest (Tax Warrants).....	188,497.94	20.2	0	0	0	0	0	0	Increase in Amount and Rate.....	170,000.00	396,774.60		
22.	Finance—Miscellaneous.....	153,746.71	20.2	0	0	0	0	0	0	Workmen's Compensation & W. of A.....	30,000.00	214,803.89	326,225	
	“ Taxes & Sp. Assessments.....	21,478.47	20.2	0	0	0	0	0	0	None.....		25,816.56		
	“ Loss & Cost Coll. of Taxes.....	598,398.34	20.2	0	0	0	0	0	0	None.....		719,274.40		
23.	City Treasurer's Office.....	67,607.25	20.2	0	5	0	0	0	0	None.....		85,327.20	74,668	
24.	City Collector's Office.....	89,500.38	20.2	0	9	0	0	0	0	None.....		117,263.11	161,900	
25.	Election Commissioners.....	382,964.74	20.2	0	0	0	0	0	0	Increase Required by Statutes.....	600,000.00	1,060,323.93	1,243,178	
26.	Civil Service Commission.....	67,083.97	20.2	0	5	0	0	0	0	None.....		84,666.75	64,870	
	“ “ (Eff. Div.).....	18,713.94	20.2	0	0	0	0	0	0	None.....		22,494.23		
27.	Department of Supplies.....	29,618.52	20.2	0	8	0	0	0	0	None.....		38,450.16	31,440	
30.	Department of Police & Dog Pound.....	6,644,448.37	20.2	0	9.9	0	0	0	0	None.....		8,777,298.68	10,280,965	
31.	Municipal Court.....	845,073.41	20.2	0	5	0	0	0	0	None.....		1,067,616.90	958,684	
32.	House of Correction.....	308,770.32	20.2	0	0	0	0	0	0	None.....		371,141.54	493,610	
35.	Fire Department.....	3,212,387.86	20.2	0	0	0	0	11.5	0	None.....		4,305,338.35	4,547,879	
36.	Department of Buildings.....	155,064.89	20.2	0	11.8	0	0	0	0	None.....		208,381.78	132,745	
37.	Department of Health.....	752,756.62	20.2	0	8.2	0	0	0	0	New Cont. D. Hosp. & Additions.....	200,000.00	1,586,574.26	1,767,077	
38.	City Physician.....	7,738.81	20.2	0	0	0	0	0	45	None.....		9,302.28	10,520	
39.	Track Elevation.....	10,813.11	20.2	0	0	0	0	0	0	None.....		12,997.23		
40.	Boiler Inspection.....	45,713.96	20.2	0	11.8	0	0	0	0	None.....		61,432.12	56,057	
41.	Weights & Measures.....	35,088.23	20.2	0	11.8	0	0	0	0	None.....		47,152.77	42,899	
42.	Smoke Inspection.....	33,081.64	20.2	0	11.8	0	0	0	0	None.....		44,680.87	27,630	
43.	Examining Boards.....	12,926.03	20.2	0	6	0	0	0	0	Mason Contr. Board.....	4,000.00	20,469.22	30,279	
44.	Hospitals.....	17,250.00	20.2	0	0	0	0	0	0	None.....		20,734.50	20,000	
50.	Board of Local Improvements.....	864,767.86	20.2	0	0	0	0	0	0	None.....		1,039,450.97	1,417,931	
52.	City Markets.....	1,856.06	20.2	0	0	0	0	0	0	None.....		2,235		
80.	Dept. of Gas & Electricity.....	1,342,776.53	20.2	0	11	0	0	0	0	New So. Chgo. Market.....	5,200.00	7,430.91	2,913,399	
81.	Harbor Board.....	16,925.04	20.2	0	0	0	0	0	0	None.....		2,240,256.12	80,315	
101.	Dept. of P. W. Works-Commr's Office.....	49,529.39	20.2	0	5	0	0	0	0	Oper. of Municipal Pier.....	25,000.00	45,343.85	55,560	
	“ Invest. of Underground Service.....	5,810.72	20.2	0	0	0	0	0	0	None.....		62,511.05	8,140	
102.	“ Bureau of Compensation.....	7,277.00	20.2	0	11.8	0	0	0	0	Incr. Unit.....	4,189.28	11,174.10	9,756.79	
103.	“ “ Maps & Plats.....	56,351.06	20.2	0	7	0	0	0	0	None.....		72,475.38	44,925	
104.	“ “ Architecture.....	5,874.74	20.2	0	0	0	0	0	0	None.....		7,061.44	7,640	
105.	“ “ City Hall.....	215,622.73	20.2	0	0	30	0	0	0	None.....		336,932.70	459,505	
	“ “ Bureau of Parks.....	73,711.85	20.2	0	10	0	0	0	0	None.....		97,462.20	207,855	
	“ “ Waste Disposal.....	28,887.71	20.2	0	0	0	0	0	0	None.....		502,723.38	573,366	
	“ “ Streets.....	3,160,214.47	20.2	35.3	11	0	0	0	0	Cost of Oper. & Maintenance.....	468,000.00	5,557,319.07	5,322,717	
	“ “ Sewers.....	514,116.04	20.2	0	0	0	0	0	0	None.....		723,021.20	499,269	
	“ “ Bridges & Viaduct.....	479,811.40	20.2	0	0	42	0	0	0	None.....		818,961.29	1,578,070	
	“ “ Rivers & Harbors.....	39,042.66	20.2	0	0	5	0	0	0	Dept. of Oil Inspection.....	15,360.00	15,360.00	15,510	
										None.....		49,276.50	426,756	
										Dept. of Publ. Welfare.....	40,000.00	40,000.00	43,960	
										Dept. of Publ. Service.....	120,000.00	120,000.00	120,112	
										Oper. & Maint. Comfort Stations.....	30,000.00	30,000.00	included in 37	
										Hospital—Delinq. Children, Etc.....	60,000.00	60,000.00	[above	
										Expert Serv. Railway Term. Comm.....	63,500.00	63,500.00	36,500	
	TOTAL.....	\$21,487,283.85										\$32,434,670.74		

CHART VI.

Chart VI represents the final analysis of all of these figures as to the amount of money which the city can logically expect will be required to perform its functions, basing the estimate on the standard of services furnished during 1913, plus the increase of services and functions established subsequent to 1913 on account of the inadequacy of the 1913 standard, or the Public's demand for more intense services per unit.

The amount shown opposite the various functional accounts does not necessarily represent the amount which such functions should have available for expending during 1919, as no doubt this amount may be either lower or higher than is actually required, owing to the fact that the function considered may be either credited or debited with an amount of increase of expense due to increased cost of commodities, where in fact the function is not chargeable with any increased cost whatever. The reason for this is that we have used the percentage of increased costs, secured by dividing the Total Expense into the actual expense due to increased costs.

Therefore, since an item, even though it may not be chargeable with any increase of expense due to increased costs, is nevertheless, in this case, chargeable with such an increase, because of the fact that it is a part of the total expense of the year 1913 which is the basis of our 20.2% figure, representing the average increase of costs.

A more technically correct method of arriving at what each function of city government should spend would be to establish for each of such functions a standard unit of work and expense for each of such functions, but to do this would require at least two years work with a force of men which the present financial conditions of the city absolutely prohibits. Even though such force could be secured, we do not believe that the results obtained would show up much different than what is obtained by this method of using factors controlling the increase of services and expense. Especially do we believe so, when we consider the fact that we are using a year (1913) in which the city governmental expenses were reduced to a rock bottom minimum as the basis of comparison and estimate.

At this point it may give one a quicker grasp of why the city's corporate expense has increased since 1913, by summarizing the various factors controlling such increase of expense.

SUMMARY OF ESTIMATED 1919 INCREASED CORPORATE ORDINARY EXPENSES AND THEIR ALLOCATION ON BASIS OF 1913 EXPENDITURES:

Increase due to Increased costs of Labor and Commodities.....	\$4,345,081
Increase due directly to Increased Population for Operating Departments, and indirectly due to increase of forces of such Operating Departments.....	1,899,967
Increase due to Increased Length of Haul.....	1,114,024
Increase due to Increased Number of Buildings.....	454,048
Increase due to Increased Interest Rate and Amount.....	170,000
Increase due to Increased Mileage of Sewers.....	12,565
Increase due to Inadequacy of 1913 Standard, of ordinary services are to be furnished	328,345

Increase due to Public Demand for more intense services over and above 1913	
Standard of such services	857,693
Increase due to Increase of Election Expense over which the city has no control, since such expense is established by Statute.....	*600,000
Increase due to Entirely New Functions Added since 1913.....	1,165,664
Total Added Expense Since 1913.....	\$10,947,387
1913 Expense	21,487,283
Estimate Total Expense, 1919.....	\$32,434,670

* The 1919 Departmental Estimate for this service, received since this was written, shows the increase to be \$860,214 instead of \$600,000.

The conclusion we arrive at from Chart VI, is that the Corporate Expense, due to increased costs, and a more intensive service required by the citizens of Chicago, has increased approximately 50% since 1913, when such expense is figured upon the 1913 basis and properly corrected for the added item, as per our arguments and facts presented in the foregoing paragraphs.

FROM WHAT SOURCE SHALL THE ADDITIONAL REVENUE BE SECURED?

In regard to this question, we believe that the final conclusion or answer to it would be, from additional taxes.

When one has made an analysis of the possible sources of miscellaneous revenue, it will be found to be practically impossible to procure any large amount of additional revenue from miscellaneous sources. In fact, we believe we can expect a great decrease of miscellaneous revenues, the result of the practical discontinuance of the saloon business within the city; such condition being an effect of the Federal Law which will become effective the 1st of July, 1919, and through which the city will suffer a reduction in miscellaneous revenue of from \$6,000,000 to \$7,000,000 below what it has been accustomed to receive in prior years.

Therefore, it becomes readily apparent that it will be very difficult for the city authorities to find additional sources of miscellaneous revenue that will even partially balance this reduction, and since in our comparison and analysis of revenue and expense we have not taken this contingency into consideration, it naturally follows that the 50% increase of expense over 1913 must be taken care of by taxes.

It is true that the city should not expect to have the high, abnormal prices now in existence to contend with in the future, but we do not believe that any considerable reduction in costs will be had for at least five years, and present prices may even be maintained for a period of from ten to fifteen years hence. Therefore, any remedy that may be provided to furnish the Corporate Fund with additional revenue, should be considered on the basis of taking care of at least five years' future revenue.

In addition to the above we would strongly offer as a recommendation, a principle of legislative change advocated by Mr. M. M. Foote of your office, who has been a close student of municipal financial matters, and this principle is as follows:

If the Legislature or the People are going to insist upon maintaining a maximum rate of taxation for Corporate Purpose, it should not leave such legislation suspended in the air without the adequate support of the principle of also limiting the amount of appropriations that can be made within the amount of the estimated revenues of the city. Such could be furnished by the City Comptroller under a sworn statement prior to the adoption of the Annual Budget. This principle, we understand, is in effective operation in cities elsewhere, and has been an excellent means of preventing the appropriation and expenditures of money in excess of the revenues. In fact we believe that if such legislation was secured, the citizens of Chicago would be less prone to be constantly asking and requiring services from the Council, unless they were also prepared to provide the additional revenues with which to pay for same.

In conclusion we would say that there is no doubt in our mind but that through the medium of more efficient organization and methods of performing the city's work, a number of such services can be made more efficient in operation, therefore less expensive. Bear in mind however, the fact that it takes time to secure benefits of reduced expenses from this kind of work. We would therefore say that the total, as shown on Chart VI, in our opinion should be used as the basis for calculating what revenue the city should have available, and the benefit secured from more efficient organization and the establishment of more economical methods of transacting the city business should go into the making of a surplus fund, which fund should be placed in a position so as to make it impossible of abuse, and it should be used for emergency purposes only.

Yours respectfully,

V. S. PETTERSON,
Engineer.

MEMORANDUM DESCRIBING HOW THE VARIOUS PERCENTAGES OF INCREASES OF COSTS AND SERVICES WERE SECURED IN COMPILING FIGURES SHOWN ON CHART VI.

Increased Cost of Commodities and Labor for all Departments.

This percentage of 20.2%, which is charged against all departments on Chart VI, was secured by the methods shown on Chart V. In other words, this percentage of 20.2% is the average increased cost chargeable to the total expense of the Corporate Fund. It must be borne in mind that some of the departments charged with increased costs on Chart VI are in actuality not chargeable with any such item of increased expense, but due to the fact that the expense of such departments is a portion of the total expense of 1913, it naturally follows that if we use the average increase of cost for the total expense, in this case 20.2%, we must also charge each item of departmental expense with this same percentage of increased cost, since such item of expense is a part of the whole.

Increased Expense Due to Increased Mileage of Haul.

There is only one function of the city service that is really effected to any extent by this factor of increased expense, and such service is the service rendered by the Bureau of Streets in the hauling of ashes and refuse, garbage collection, and street refuse. In order to secure the percentage we show on Chart VI in this column, we did the following:

We secured the total amount expended for teams and hire of horses in 1913, which was as follows:

Street and Alley Cleaning.....	\$297,710
Ashes and Refuse.....	740,905
Garbage Removal	245,888

We estimated that 75% of the amounts given above were affected by the length of haul. We give below the amounts which we estimate are those that will be effected by any variation in the length of haul.

Street and Alley Cleaning.....	\$227,500
Ashes and Refuse.....	550,000
Garbage Removal	184,100

From various sources, including the Bureau of Streets' records, we next secured the average length of haul for each of the above items for both 1913 and 1919, which are as follows:

	Miles 1913	Miles 1919	% Incr. over 1913
Street and Alley Cleaning.....	2.8	5.2	86%
Ashes and Refuse	2.8	5.2	86%
Garbage Removal	3.3	3.8	15%

With these percentages of increased haul, we then secured the amount of expenditure for hire of teams and horses for 1919 by adding to the corrected totals for each of these items that we estimate will be effected by increased haul, an amount equal to the percentages given above plus the increased cost of teams and horses, estimated at 60%, which gave us the following equation:

Street and Alley Cleaning.....	$(227,500 \times .86) + (195,650 \times 1.60) = 313,040$
Ashes and Refuse.....	$(550,000 \times .86) + (473,000 \times 1.60) = 756,800$
Garbage Removal	$(184,100 \times .15) + (27,615 \times 1.60) = 44,184$

Total Increase, due to Incr. Haul.....\$1,114,024

The cost of hauling can no doubt, in the near future, be reduced by means of motorizing the hauling equipment, but this will mean that the city will have to purchase its equipment instead of doing as it is doing now, namely hiring such equipment. Under present conditions however, we see very little hope for having motorized equipment in effective service for at least five years; therefore we see no other way but to consider this increased cost of hauling due to increased length of haul as an item of expense that must be taken into consideration for a period of about five years at least.

Our next step was to divide the above amount of \$1,114,024 by \$3,-160,214 which was the total expense for the Bureau of Streets for 1913, which gave us the 35.3% increase shown on Chart VI.

In addition to the above, we have increased the Bureau of Streets in exact accordance with the increase of population, but in this increase due to population we have included only those items of expense of 1913 designated as Street and Alley Cleaning, Ashes and Refuse, Garbage Removal, and the Repair of Unimproved Streets, which totals \$2,932,622.

This last amount, increased 11.8% equals \$346,049, which is approximately 11% of the total expense of the Bureau of Streets for 1913.

Normal Increase of Expense Due to Increase of Population.

Comptroller's Office:

The 7% designated in this column is indirectly due to increase in population, but more directly due to increased services rendered to the Operating Departments. The 7% was secured by eliminating the Supervising Officers, the various Division Heads, etc., of existing forces during 1913, which could not be considered as having been increased, leaving merely the various subordinate employees as being subject to the increase of 11.8% which we assumed was a fair estimate as to what the office force of the Comptroller's Office should be increased. This 11.8% increase of subordinate employees represented a 7% increase of the total expense of the Comptroller's Office.

City Treasurer, 5%.

City Collector, 9%.

Civil Service Commission, 5%.

Department of Supplies, 8%.

The various percentages set opposite the above departments were secured in practically the same manner as those of the Comptroller's Office.

Police Department:

In the Police Department we merely considered the patrol forces, such as Subordinate Commanding Officers, Patrolmen, Detective Division, Ambulance Bureau, and Motor Vehicle Division, as being subject to an increase due to increase of population. The amount so secured divided into the total expense of the Department gave us the 9.9% increase inserted on Chart VI.

Municipal Courts:

The 5% herewith represented, represents the increase of subordinate positions in proportion to the increase of population, divided by the total expense of the Municipal Courts.

Bureau of Compensation:

Department of Buildings:

Department of Inspection of Steam Boilers, Etc.

Department of Weights and Measures:

Department of Smoke Inspection:

Since these departments are revenue producing departments, purely and simply, we believe that we are justified in increasing these departments exactly in accordance with the increase of population, inasmuch as we assume that considerable miscellaneous revenues collected by these departments are lost to the City Corporate Fund when these departments are not fully manned.

Examining Boards:

The Examining Boards were increased in proportion to the increase of population, corrected so as not to include administrative offices or positions which were not subject to extension due to increase of the force.

Department of Gas & Electricity:

Since this department has two functions, namely inspection, and maintenance and operation of the city lighting system, we have increased the first the full 11.8%, it being subject to increase because of population increase, and also because it is a revenue producing service, and the second has been increased in proportion to population increase, after correcting the figures so as not to include administrative offices in such increase. Furthermore, the operation of the Police and Fire Alarm Telegraph System was eliminated from any consideration in this increase. The total, how-

ever, of the increases mentioned above, divided by the total expense of the Department, gives us approximately 11% increase due to increase of population.

Opposite the Department of Gas and Electricity we also have inserted an additional increase representing increased service, directly chargeable to the Public's demand for more intensive street lighting. This percentage was secured in the following manner:

We took the total downward lumens furnished the city during 1913 from the total estimated number that would be furnished in 1919, which gave us 35,316,000 lumens after an amount of 6,750,000 lumens had been deducted, such number being considered as due to normal increase of population—or 11.8% of the total amount of lumens furnished in 1913. This in turn was corrected so as to care for the reduction in cost per thousand lumens, between 1913 and 1919, estimated at 25% reduction. This gave us a total of 26,400,000 lumens that can be directly chargeable to the Public's demand for more intensive street lighting; exclusive of normal increase due to increase of population, which, at a cost of \$14.03 per M lumens amounts to approximately \$370,392, or 27.8% of the total cost of the Department of Gas and Electricity.

Department of Health:

The figure of 8.2% was secured by increasing the employees and other expense of the Bureau of Sanitary Inspection, Medical Inspection, Food Inspection, and Vital Statistics,—exclusive of Bureau Chiefs, Assistant Bureau Chiefs, Chief and Head Clerks, and other positions in such bureaus as could not be considered as being subject to any increase due to increase of force. Expense of hospitals and the Commissioner's Office was also excluded in their entirety from being subject to any increase. Expense of Garbage Plant, Etc., was not considered either. The resultant increase of expense was divided by the total expense of the Department, which gave us the percentage noted above.

Another item of increase of expense of this Department is shown on the column designated as Increase of Expense due to Public Demand for More Intense Services, Exclusive of Normal Increase, due to Population or Otherwise. The way the figure of 45% was secured for this item was as follows: It is estimated that the Per Capita expenditure for Public Health Departments in cities such as Chicago should amount approximately to not less than \$1.00 Per Capita. This figure is, we believe, considered justifiable by the Illinois State Health authorities and other bodies of similar description. Under the circumstances, however, we have seen fit to reduce this \$1.00 Per Capita expense in the amount of \$0.40 Per Capita in order to take care of the Municipal Tuberculosis Sanitarium and the New Contagious Disease Hospital and additions which we have included as a separate item of expense under Added Functions. This leaves a net Per Capita Health Department expense of \$0.60 which is considered justifiable for ordinarily good health conditions both in health conservation and disease prevention. The difference between the total expense at \$0.60 Per Capita and the expense as corrected for increased cost and increased population for 1913, divided by the total expense of the Department for 1913—gives us the added expense, due to more intense services, or 45%.

Commissioner of Public Works' Office:

This is the normal increase of minor employees required to properly take care of the increased operations of other offices in the Department of Public Works.

Bureau of Parks:

The 10% increase due to increased population, was secured by increasing the subordinate employees and expense of this Bureau to an amount equal to 11.8% which, divided by the total expense of the Bureau, gave us 10% as the amount of increase due to increased population.

Bureau of Maps and Plats:

This was practically handled on the same basis of the Bureau of Parks, in the foregoing,—with the result that we secured 7% as our total increase chargeable to increase of population.

Percentage of Increase Due to Increased Mileage of Sewers.

It naturally follows that we have seen fit to use for the Bureau of Sewers only, this factor, and since the mileage of sewers has increased 21% since 1913, we saw fit to increase such items covered by Repair of Sewers, as A7, A8, B2, C2, D2, E2, L3, S2, and K1, and Cleaning of Sewers, such as A9, A10, A11, B3, C3, D3, E3, F2, G2, L4, S3, and E4, of the 1913 expenditures, totaling \$415,280.80. This amount increased 21% equals \$502,489.77, or an increase of expense of \$87,208.97 which is 17% of the total expense of 1913, including the operation of Sewage Pumping Stations.

Increase of Expense Due to Inadequacy of 1913 Standards.**Bureau of Bridges and Viaducts:**

This Bureau has been increased due to the inadequacy of 1913 repairs and maintenance costs.

We took \$70,000 spent in 1913 for D. & E. Accounts,—increased same 40% on account of average increase cost of organized labor (20% increase), of which we estimated 70% of total repair cost consisted,—and 87% increased cost of materials, of which we estimated 30% of total repair cost consisted. This gave us \$98,000 as cost of repairs for 1918, on the basis of same quantity as furnished during 1913. But due to the fact that repairs, such as painting, etc., were very much neglected during 1913 insofar as available reports show,—and since it is estimated by the Bridge Division that such painting and repairs must now be taken care of in order to prevent practically, in some cases, total depreciation of such structures, we have taken the difference between the \$98,000 and the \$300,000 estimated for 1919, or \$202,000, as the amount which represents inadequacy of repairs and maintenance of 1913 standard that must be taken care of in the near future. This amounts to practically 42% of the total Bureau expense of 1913.

Bureau of City Hall:

City Hall employees and officials are well aware of the sanitary and working conditions within the City Hall, and our estimate of 30% of increase of expense for cleaning, repairing and maintenance purposes, we believe will not appear exceedingly high. In fact we are of the personal opinion that this amount will have to be further increased if the City Hall is to be made normal in regards to sanitary and working conditions, and if proper repairs and maintenance is desired.

Bureau of Rivers and Harbors:

It is estimated that this Bureau has an inadequacy of force of minor employees for proper operation of the Bureau, amounting to 5% of the 1913 total expense.

Percentage of Increase Due to Increase in Number of Buildings.

The only department really affected by this item is the Fire Department. Furthermore, these figures are conservative considering the fact that the number of new fire stations recently built represents an increase of the total number of fire buildings requiring Fire Department personnel to operate amounting to approximately 15%. Therefore we do not believe that it is necessary to discuss the 11.5% used as a factor for the Fire Department in this case.

CHART VII.

COMPARATIVE PER CAPITA REVENUE OF THE TEN LARGEST CITIES IN THE UNITED STATES

This Statement Shows the Revenues Received from All Sources, (Including All Corporate Bodies Such as County, Sanitary Districts, Park Commissions, Municipal Bodies, Etc.), Within the Corporate Limits of Such Cities. This Statement Is on the Basis of 1917 Receipts and the Data Is Secured from the Bureau of Census Report of that Year.

PER CAPITA REVENUES FROM VARIOUS SOURCES.

CITY	1917 POPULA- TION	AREA ACRES	From General Property Taxes	From Business and Non- Business Licenses	From Depart- mental Earnings Other than City Owned Utilities	From Earnings of City Owned Utilities	From Fines, Forfeits, and Escheats	From Interest Rents and Privileges,	For Special Assessment Outlays	From Poll Tax	From Other Miscell. Sources	Corrected Total per Capita Con- tribution to the Support of the City Governments
New York	5,602,841	204,059	\$30.13	\$1.39	\$0.30	\$3.77	\$0.17	\$3.20	\$2.64		\$0.56	\$40.05
Chicago	2,497,722	127,357	19.68	3.93	1.16	3.20	.20	2.52	3.70		.80	34.76
Philadelphia	1,709,518	82,933	16.29	1.33	1.00	3.06	.04	4.26	.41	\$0.04	.86	26.60
St. Louis	760,454	39,344	19.35	5.23	.90	3.38	.06	1.38	3.52		.54	34.11
Boston	757,420	30,598	37.83	1.66	1.46	4.46	.10	4.26	.48	.19	.26	48.57
Cleveland	674,073	33,741	20.50	1.55	2.24	4.08	.14	1.24	2.79		.65	32.69
Detroit	603,993	30,499	25.00	1.23	3.02	3.16	.20	.73	3.48		2.25	38.72
Baltimore	589,621	20,255	18.80	2.07	1.30	3.67	.02	3.29	.59		1.09	29.37
Pittsburgh	579,090	26,666	30.00	1.47	1.20	4.21	.27	2.06	.42		1.19	40.22
Los Angeles	519,206	217,265	28.90	2.95	1.26	4.58	.23	.72	4.56		1.86	44.50

Comparative Per Capita Excess of Expense Over Revenue, and Excess of Revenue Over Expense: Total and Per Capita Net Funded and Floating Debt at the End of 1917: Also Per Capita Increase of Net Funded and Floating Debt During 1917.

	Excess of 1917 Expense Over Revenue Per Capita	Excess of 1917 Revenue Over Expense Per Capita	Total Net Funded and Floating Debt at End of 1917	Per Capita Net Funded and Float- ing Debt at End of 1917	Per Capita In- crease of Net Funded and Floating Debt During 1917
New York .....	.....	\$0.64	\$987,347,610	\$176.22	\$6.48
Chicago	\$1.90	.....	71,696,331	28.70	.76
Philadelphia	7.42	.....	121,316,234	70.97	10.28
St. Louis .....	.....	2.44	19,064,396	25.07	.....
Boston .....	.....	5.81	86,271,769	113.90	.91
Cleveland	3.66	.....	67,821,306	100.61	7.38
Detroit	5.00	.....	21,993,311	36.41	2.86
Baltimore .....	.....	.81	66,926,316	133.51	.....
Pittsburgh .....	.....	.50	56,500,421	97.57	4.08
Los Angeles	9.25	.....	49,780,244	95.88	.....

CHART VIII.

COMPARATIVE PER CAPITA EXPENSE OF THE TEN LARGEST CITIES OF THE UNITED STATES DURING THE YEAR 1917

For Various Kinds of Services Rendered and Functions Performed for the Tax Payers and Citizens Within the Corporate Limits of the City. This Expense Is for All Branches of Government Rendering Such Services, Such as Counties, School Districts, Park Districts, Sanitary Districts and the Municipal Corporations Themselves.

PER CAPITA EXPENSE FOR VARIOUS FUNCTIONS GIVEN BELOW DURING 1917

	Density of Population Per Acre Persons	Legislative Expense	Executive and Executive Comm. Exp.	Financial and Accounting Expense	Legal Expenses	Civil Service Expense	City Planning Expense	Judicial and Courts Expense	Election Expense	Public Buildings Expense	Police Department Expense	Fire Department Expense	Police Telegraph and Fire Alarm Expense	Bldg., Plmb., Elec., Boiler, Wgts. and Measures, Oil & Smoke Inspection Expense
New York	27.5	\$3.36	\$0.05	\$0.54	\$0.14	\$0.03	.....	\$1.45	\$0.28	\$0.66	\$2.88	\$1.65	.....	\$0.28
Chicago	19.6	3.30	.04	.72	.19	.05	\$0.008	1.05	.74	.24	3.00	1.34	\$0.05	.24
Philadelphia	20.6	2.92	.02	.72	.15	.03	.002	.90	.55	.31	2.69	.85	.12	.14
St. Louis	19.4	2.43	.02	.50	.09	.....	.018	.86	.44	.17	2.88	1.60	.11	.22
Boston	24.8	2.99	.06	.71	.09	.002	.007	1.23	.22	.39	3.45	2.51	.....	.32
Cleveland	20.0	2.18	.05	.56	.05	.02	.004	.68	.26	.41	1.60	1.27	.....	.12
Detroit	19.8	2.31	.03	.48	.06	.03	.002	.77	.31	.22	2.65	2.00	.....	.18
Baltimore	29.1	1.73	.02	.47	.09	.....	.....	.48	.24	.22	2.23	1.62	.....	.16
Pittsburgh	21.7	3.45	.12	.98	.19	.03	.005	1.03	.27	.41	1.89	1.97	.15	.19
Los Angeles	2.4	3.55	.90	.88	.17	.05	.....	.97	.60	.32	1.81	1.85	.08	.21

PER CAPITA EXPENSE FOR VARIOUS FUNCTIONS GIVEN BELOW DURING 1917—CONTINUED

	Health Dept. Administration and Vital Statistics	Health Dept. Contagious Disease Treatment and Prevention	Conservation of Child Life in Schools and Otherwise	Food Inspection and Regulation	Tuberculosis Prevention and Treatment	Sanitary Inspection and Other Sanitation Work	Charities and Hospitals (Other than Tuber. & Cont. Diseases) and Correctional Institutions	Correctional Institutions Given Separate	Public Comfort Stations	Recreations Such as Parks, Playgrounds and Bathing Beaches	Collection of Garbage and Refuse
New York	\$0.19	\$0.22	\$0.12	\$0.043	\$0.06	\$0.04	\$2.45	\$0.34	.....	\$0.50	\$1.51
Chicago	.10	.08	.09	.061	.27	.10	1.28	.49	\$0.001	1.03	1.48
Philadelphia	.05	.23	.11	.016	.....	.05	2.19	.59	.....	.85	1.29
St. Louis	.04	.06	.05	.032	.16	.10	1.46	.35	.009	.94	.96
Boston	.18	.03	.09	.063	.36	.09	2.76	.59	.03	1.69	1.91
Cleveland	.01	.06	.14	.099	.47	.14	1.24	.35	.....	.49	1.27
Detroit	.11	.42	.12	.056	.30	.11	1.64	.61	.....	1.23	2.18
Baltimore	.09	.22	.015	.064	.05	.08	1.38	.37	.03	.88	1.31
Pittsburgh	.08	.18	.19	.101	.12	.13	1.85	.62	.03	.82	1.40
Los Angeles	.06	.05	.08	.065	.03	.06	1.50	.27	.02	.53	.99

PER CAPITA EXPENSE FOR VARIOUS FUNCTIONS GIVEN BELOW DURING 1917—CONTINUED

	Sewers and Disposal of Sewage	Street Lighting	Libraries	Schools	Employees Pensions	Waterways	Care and Main- tenance of Road- ways, Streets, Alleys, and Highway Structures	Corrected Total Expenditure per Capita so as to be Comparable with the Cor- rected Revenue Contributions per Capita	Amt. per Capita Expense More or Less than that of Chicago's Total
New York	\$0.18	\$0.66	\$0.25	\$7.17	\$1.07	.....	\$1.36	\$39.41	\$2.75 more
Chicago	.38	.62	.18	5.92	.59	\$0.02	.77	36.66	
Philadelphia	.09	1.00	.16	4.79	.19	.0	1.06	34.02	2.64 less
St. Louis	.29	.91	.27	5.48	.07	.....	1.32	31.69	4.97 less
Boston	.52	1.02	.57	7.73	.89	.....	2.04	42.75	6.09 more
Cleveland	.075	.57	.54	6.10	.39	.70	.84	36.36	.30 less
Detroit	.20	.44	.39	3.18	.35	.....	1.31	43.72	7.06 more
Baltimore	.44	.98	.17	3.90	.22	.13	.68	28.56	8.10 less
Pittsburgh	.12	.89	.57	6.98	.25	.....	1.81	39.72	3.06 more
Los Angeles	.10	.93	.41	10.56	.07	.....	2.51	53.74	17.08 more

SUPPLEMENTAL REPORT TO CITY COMPTROLLER IN THE MATTER OF THE ANALYTICAL STUDY MADE OF CITIES FINANCES.

**Showing Comparative Contributions Made to the Support of the City
Government by the Citizens of Chicago Against the Contributions
Made for Like Purposes by the Citizens of Other Cities.**

**This Report Also Shows the Comparative Expense
of Various Functions More or Less Common
to the Same Cities.**

CHARTS VII and VIII.

When the citizens of Chicago, through their representatives in the State Legislature, are requested to increase the tax rate, thereby increasing the revenues from general property taxes, it is reasonable to assume that such citizens will naturally ask the following questions:

No. 1. Why is it necessary to raise the taxes: Or why is it necessary to secure more revenue?

No. 2. Are the funds that are available to the city at the present time being properly expended?

No. 3. How much do the citizens of other cities of the United States contribute towards the support of their city governments in comparison with contributions made by the citizens of Chicago?

No. 4. How much do other cities expend for similar kinds of services and the performance of similar functions to those rendered or performed by Chicago?

The answers to these questions are very difficult to prove to the satisfaction of any one unless such person will consider in a fair-minded manner the numerous factors entering into such a comparative analysis, and takes into consideration the manner in which controlling factors differ in different communities. We therefore found it necessary to assume that the persons whom we have to convince as to the needs of additional revenues will be open and fairminded, and that in their consideration of this question they will take into account the various conflicting factors of this comparative analysis.

Question No. 1, above, has been answered to the best of our ability in the main portion of this report, where we have endeavored to show that the real needs for increased revenue are due to the following factors:

Increased cost of commodities and labor:

Increase of services—due to increased population.

Reduction of revenues in comparison to those received in previous years.

New Functions Added—In order to care for the better living conditions or living standard of modern times.

Increase of former existing services—due to public demand to meet the higher standard of such services as are required in modern times.

Increases due to increase of physical factors other than population.

Question No. 2 we have also endeavored to answer in the main portion of this report, and from a comparison of facts insofar as local conditions are concerned, it seems to us that the only logical conclusion that any fair-minded person can arrive at as an answer to this question is that the funds that are now available are being properly expended insofar as the local authorities have control over such matters. When we take into consideration the extraordinary handicaps encountered by local authorities to secure efficient expenditure of city moneys and funds, and the conditions and circumstances with which the authorities have to deal, yet have absolutely no control over,—such as multiplicity of governments, statutory mandates, increased costs, and physical factors,—we believe there is no other answer to this question than that the present city funds are being more efficiently expended than during any previous period of city government. Nevertheless, it is, without question, of considerable worth to show by methods of comparison what other communities are doing under like circumstances. This subject has been amply discussed in the answer to the fourth question given later on.

Questions Nos. 3 and 4 we have endeavored to answer by providing as the basis of such answer, facts and figures secured from a disinterested and neutral source. We regret, however, that the data available cannot be segregated, in making a comparison, so as to show the revenues received for the same purposes as those which are known in Chicago as the Corporate Fund, since the figures and facts which we use are compiled on the basis of the total governmental expense of all corporate bodies, except the State, to which the citizens of the cities contribute in any manner whatsoever.

We secured the facts as shown from the 1917 report of the Bureau of the Census, Department of Commerce, entitled "Financial Statistics of Cities Having a Population Over 30,000." In our comparative analysis we have seen fit to limit our comparison to the ten largest cities of the United States, embodied in what is termed the First Class, or Group No. 1 of this report. We have extracted from this report those facts which we considered of necessary importance to give one a comprehensive basis of both revenue and expense comparison, and in order to bring this comparison down to the basis of the individual citizen of each community, we have developed the facts secured on the Per Capita basis.

CHARTS VII AND VIII.

With the foregoing facts in mind, we offer for consideration by those interested in this matter the data contained and shown on Charts VII and VIII, hereto attached. The upper portion of Chart VII shows two important physical facts, namely, the population of each of these communities as estimated for the year 1917, and the existing area at that time, shown in acres. The balance of the upper portion of this chart shows the sources from which the various communities receive most of their revenues, and the last column shows the total per capita contribution, after being corrected so as to eliminate interdepartmental transfers and other items that are not paid by the taxpayer.

An interesting comparison arises in relation to the physical facts of the various cities. Such a comparison shows that the city of Los Angeles has by far the lowest density of population,—the average number of persons per acre being only 2.4 compared with the average of 22.0 for all others. The city of Baltimore is the most densely populated city, with the city of New York following second.

Under the column of General Property Taxes, it will be noted that Chicago is fourth from lowest on this item. The city having the lowest General Property Tax is the city of Philadelphia. In conjunction with this statement we should also note that Philadelphia's excess of Expense over Revenue during 1917 amounted to \$7.42, compared to Chicago's Expense over Revenue in the amount of \$1.90, and that Philadelphia's per capita increase of its Net Funded and Floating Debt amounted to \$10.28, compared to Chicago's \$0.76. In other words, compared to Philadelphia, it appears that Chicago has "paid its way as it went along," while Philadelphia has preferred to load some of its financial burden on its future generations. Furthermore, it will be noted that Philadelphia has practically two and one-half times the Net Per Capita Funded and Floating Debt of Chicago. We attribute this chiefly to the fact that Philadelphia has, in the same manner as the majority of eastern cities,—financed a good many current expenses by bonding the future generations instead of paying such as it went along.

Philadelphia collects a Poll Tax which of course does not amount to a very considerable item. We find on the other hand, that Philadelphia apparently does not load its local business concerns with a heavy business tax or license, since its total revenue from business and non-business licenses is only one-third that of Chicago's,—and practically 90% of this amount is secured from the liquor traffic. The amount of revenue secured by Philadelphia from the liquor traffic amounts to approximately \$1.12 per capita, compared to Chicago's \$2.84 per capita. Therefore it becomes readily apparent, everything else being equal, that Philadelphia will not feel so keenly as Chicago the effects of the prohibition law which will be effective during 1919.

Baltimore being the second lowest city in regards to General Property Tax, is the next city with which Chicago will naturally be compared. In the making of a comparison between these two cities, we believe that it is fair to do so only when we consider the different conditions existing in the two communities. It is evident from the expense analysis that Baltimore has a much simpler form of government than what Chicago has: especially insofar as the legislative portion is concerned. In addition, the general average of the citizens in Baltimore, we believe, can be considered as being of a more uniform character than can be found in any other city approaching it in size. It is a more densely populated city. By this we mean, more fully settled and developed.

We believe that the general opinion is, that Baltimore is a city that had reached its maximum development a number of years ago, and since that time it has become stabilized to a greater degree than any other city, insofar as its needs are concerned. Furthermore, it is a city that can be considered, comparatively speaking, as a residential, and not an industrial city. Therefore we do not believe it fair to compare a rapidly developing industrial community, such as Chicago, to a city like Baltimore. However, it may be of value, and undoubtedly is, to consider and compare similar items of expense of the two cities. By this we mean items that would relate solely to the welfare of the citizens, such as street lighting, sewers and sewage disposal, libraries, health conservation and protection, fire protection, etc.

The third lowest city in regards to General Property Tax is St. Louis, and the amount of difference is practically negative, when the revenue received from business and non-business licenses other than from Liquor Traffic are considered. St. Louis receives approximately \$3.25 per capita from its street railway companies, banks, merchants, and manufacturers, compared to Chicago's \$0.18 secured from Insurance Companies licenses, car licenses, and mileage compensation under this heading. St. Louis on the other hand receives only \$1.43 per capita from its liquor traffic, compared to Chicago's \$2.84. Therefore it naturally follows that St. Louis will not be affected so much as Chicago will, through the prohibition act, effective during 1919.

It is true that Chicago receives 55% of the net profits of the Traction Companies, but it must be remembered that this money goes into what is known as the Traction Fund, which is only expendable for traction improvements, such as subways, etc., which is not, nor can it be so considered, an expense of city government. Therefore, Chicago in the true sense of the word receives only \$0.09 per capita from Business licenses outside of the Liquor Traffic, when in fact it should receive possibly several times the amount St. Louis does for the same purpose.

In concluding the comparison between Chicago and St. Louis, it would be well worth comparing the per capita expense of the two cities for various kinds of services, after which one must come to the conclusion that St. Louis probably has not so complicated a government as Chicago, and that it does not spend so much per capita for Public Welfare items,—such as the promotion of cleanliness, recreation, and public health conservation, and its election expense is only 60% of Chicago's expense. There are other items it spends more money for,—such as the Fire Department, Street Lighting, Libraries, Maintenance of Streets, and General Hospitals. St. Louis apparently, along with Chicago, is one of the few cities which, so to speak, pay their current expenses as they go along instead of mortgaging future generations as the great majority of the other cities seem prone to do.

The city with the fourth lowest General Property Tax is Chicago.

Cleveland and Chicago are in some respects comparable, with the exception that Cleveland shows a greater per capita deficit or Excess of Expense over Revenue than Chicago does; and furthermore, Cleveland evidently utilizes the same high financing system which is common among eastern cities,—that of paying some of its current expenses from bond issues. This becomes evident from comparing the per capita Net Funded and Floating Debt of the two cities, and also the Per Capita Increase of Net Funded and Floating Debt during 1917, which last is approximately ten times greater than Chicago's increase.

A comparison of the per capita expense of the two cities, exclusive of the funded debt, shows Cleveland with only \$0.30 per capita less expense than Chicago. A large portion of this can be traced to lower election, judicial, recreation, and sewage disposal expense. On the other hand, Cleveland evidently secures a greater return from its Public Safety Inspection services,—such as building, plumbing, and various other inspections, since it shows Departmental Earnings of \$2.24 per capita, with an expense of \$0.12 per capita against Chicago's \$1.16 earnings, and expense of \$0.24 per capita. Evidently there must be something akin to a consolidated inspection service in existence in Cleveland.

The other cities of the country (New York, Boston, Detroit and Pittsburgh) showing higher per capita General Property Taxes than Chicago are so much higher in this respect than Chicago, as would lead us to believe that they should be differently classed, but upon proper consideration of the matter, we believe that we are justified in saying that such is not the case, and we are of the opinion that any one who will give the matter sufficient thought will quickly realize the fact that Chicago is in the same class with the cities mentioned above, and should be in their class, since those cities in question (New York, Boston, Detroit and Pittsburgh) are all vital, growing, rapidly developing industrial cities, and all have practically the same general requirements and public policies as what Chicago has. It will be noted that we do not compare Chicago with Los Angeles, as we believe it should be beyond dispute that Los Angeles is a city in a class by itself.

In concluding the comparison of financial matters between Chicago and this last mentioned group of cities (New York, Boston, Detroit and Pittsburgh), we must express our honest opinion that we cannot see wherein Chicago will suffer in any detail by such comparison. This is evidently borne out by the fact that Chicago's per capita expense is \$2.75 less than the lowest of any of the cities in this group.

To summarize the writer's conclusion from a study of these Charts, he would say that it appears that Chicago probably spends more than what it should for legislative and certain administrative expenses, due no doubt to the multiplicity of governments, duplicating work of this class and thereby raising the overhead expense to a great extent. There seems to be no logical reason why this expense could not be lowered by action of the State Legislature through the method of consolidating and reorganizing the city governments of Chicago, since the city government itself is by far the greatest and most important portion of the sum total.

It would naturally follow that a consolidation of the local governments would also consolidate the multiplicity of administrative officers.

Another item of expense in which Chicago is evidently high, is the Election expense. However, this is an item of expense which is entirely within the control of the State Legislature, and can be remedied only by them.

Judicial expense is another item that can, without question, also be lowered, but this must also be done by the State Legislature.

On the other hand we can see many reasons why the expense of several of the various services and functions performed by Chicago could be increased, providing its citizens desired to place such services on the same basis with other cities of the country.

Such services would be city planning expense, public building expense, fire department expense, conservation of health expense, recreation expense (New York does not have to spend much money for this item because of the many privately owned amusement places), street lighting, libraries, schools, maintenance of its streets and roadways, and highway structures. (This item of expense is a very necessary increase of expense if Chicago is to prevent the premature decay or depreciation of the many highway structures and bridges it must maintain, compared to those which other cities have.)

In conclusion we would say that it is our firm opinion, borne out by the statistics given herein, that Chicago and the authorities of Chicago should little fear any criticism tax-payers or citizens of Chicago may make, when an increase of the tax-rate is requested in order to secure funds sufficient to place the city of Chicago upon an equal footing with other cities in the same class,—providing they use their best efforts to remedy, insofar as they are able to do so, the causes creating whatever excessive expense is shown on the items cited above.

Yours respectfully,

V. S. PETTERSON,
Engineer.

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